

**ISSUE LETTER NO. 2/2021
of Polski Fundusz Rozwoju S.A.
dated 28 January 2021**

**for the issuance of bonds of Polski Fundusz Rozwoju S.A. to finance “Governmental Programme – Polish Development Fund’s Financial Shield 2.0 for Micro-Firms, Small and Medium Enterprises”
with the final maturity date of 5 February 2028
secured with a guarantee of the State Treasury**

On the basis of Art. 21aa.1, 2 and 7 of the Act dated 4 July 2019 on the System of Development Institutions (Journal of Laws of 2020, item 2011, as amended, the **Act on SDI**) in connection with Art. 39p – 39w of the Act dated 27 October 1994 on Toll Motorways and the National Road Fund (Journal of Laws of 2020, item 72, as amended, the **Act on Toll Motorways**),

Polski Fundusz Rozwoju S.A. (the **Issuer**)

issues bonds (the **Bonds**), with the final maturity date of 5 February 2028 (the **Final Maturity Date**) and the abbreviated designation PFR0228, to finance “Governmental Programme – Polish Development Fund’s Financial Shield 2.0 for Micro-Firms, Small and Medium Enterprises” referred to in Art. 21a of the Act on SDI, established pursuant to the Resolution of the Council of Ministers No. 2/2021 dated 5 January 2021.

1. The Bonds are bearer dematerialised securities registered in the central securities deposit maintained by Krajowy Depozyt Papierów Wartościowych S.A. (**KDPW**).
2. Guarantee of the State Treasury
 - (a) Pursuant to Art. 21aa.2 of the Act on SDI, the Issuer’s liabilities under the Bonds are covered with a guarantee (the **Guarantee**) of the State Treasury represented by the Polish Minister of Finance, Development Funds and Regional Policy (the **Guarantor**).
 - (b) Pursuant to Art. 21aa.4 of the Act on SDI, the Guarantee covers up to 100% of all outstanding payments under the Bonds and 100% of all interest due and the other costs directly relating to the Bonds.
 - (c) A form of a declaration of the Guarantor on the Guarantee constitutes Schedule 3 to this Issue Letter.
3. The principal amount of one Bond is PLN 1,000,000.00 (say: one million zloty).
4. Issue size: up to PLN 1,000,000,000.00 (say: one billion zloty).
5. The issue price of one Bond is PLN 1,000,000.00 (say: one million zloty).
6. The Bonds bear interest at the rate of 1.30% per annum (the **Interest Rate**).
7. Offer of the Bonds
 - (a) The Bonds are offered pursuant to Art. 39r.4) of the Act on Toll Motorways.
 - (b) On the date hereof the Issuer delivered to the Investor a proposal to acquire the Bonds.
 - (c) On 28 January 2021 the Issuer and the European Investment Bank (the **Investor**) entered into a subscription agreement under which the Investor agreed to subscribe for the Bonds, subject to satisfaction of certain conditions set out in the subscription agreement. The State Treasury represented by the Polish Minister of Development, Labour and Technology shall

cover any costs incurred by the Issuer in respect of, or under, such subscription agreement with the Investor pursuant to Art. 21a of the Act on SDI.

- (d) The Investor shall submit the declaration of acceptance of the proposal to acquire the Bonds by 29 January 2021.
 - (e) The Investor shall pay the issue price for the Bonds by 4:00 p.m. on 5 February 2021.
8. The Bonds will be issued on the day the Investor pays the issue price and the Bonds are registered in the central securities deposit maintained by KDPW. i.e. on 5 February 2021 or such other deferred issue date as the Issuer will have agreed with the Investor on the terms and conditions of the subscription agreement referred to in Clause 7(c) (the **Issue Date**).
9. Payments under the Bonds.
- (a) All payments under the Bonds will be made in Polish zloty through the central securities deposit maintained by KDPW.
 - (b) On the Final Maturity Date the Issuer will pay the holders of the Bonds the principal amount of the Bonds.
 - (c) Interest accrues on the principal amount of the Bonds in annual interest periods, starting from the Issue Date.
 - (d) The persons entitled to receive payments under the Bonds will be determined in accordance with applicable KDPW regulations. The interest periods, record dates, payment dates, the interest amount for one Bond due on the relevant payment date and any other costs directly relating to the Bonds are provided in Schedule 1 to this Issue Letter, except in case of:
 - (i) the opening the Issuer's liquidation as referred to in Clause 12, or
 - (ii) early redemption of the Bonds as referred to in Clause 13,in which case the record date will be, respectively, the opening of the Issuer's liquidation, as referred to in Clause 12, or the date of submission to the Issuer of the request for the early redemption of the Bonds pursuant to Clause 13 and payment dates, the interest amount for one Bond due on the relevant payment date and any other costs directly relating to the Bonds will be determined on the terms and conditions of this Issue Letter.
 - (e) The manner of calculating interest is provided in Schedule 2 to this Issue Letter. Any payment in relation to the Bond shall be made on a day on which commercial banks are open for general business in Luxembourg and Warsaw (the **Payment Business Day**).
10. If the day on which any action relating to the Bonds shall be taken on a day that is not a Payment Business Day, this action must be taken on the first Payment Business Day falling after that day without adjustment to the interest due (as the case may be). Any amount due by way of interest or costs from the Issuer or the Guarantor, and calculated in respect of a fraction of a year, shall be computed on the basis of a year of 360 (three hundred and sixty) days and a month of 30 (thirty) days.
11. The Issuer will not apply for introduction of the Bonds to trading on a regulated market or an alternative trading system.
12. On the day of the opening of the Issuer's liquidation (the **Early Redemption Date**), the Bonds will become immediately due and payable. The Issuer will redeem the Bonds by paying the holders of the

Bonds the principal amount of the Bonds, interest accrued for such Bonds until the Early Redemption Date (excluding that day) and costs calculated by the Investor based on the principal amount of the Bonds held by a holder of the Bonds in the way set out in Schedule 1 to this Issue Letter.

The early redemption pursuant to this Clause 12 shall be made pursuant to the KDPW regulations within five Payment Business Days (calculated pursuant to the KDPW regulations being in force at a given time) following the Early Redemption Date.

13. Events of default

- (a) Notwithstanding immediate redemption of the Bonds in accordance with Clause 12, each holder of the Bonds may request the early redemption of the Bonds if any of the following events enumerated in Clause 13 (a) below occurs and continues (the **Events of Default** and each of them the **Event of Default**):
- (i) the Issuer does not pay on the due date any amount payable under the Bonds at the place and in the currency in which it is expressed to be payable, unless:
 - (A) its failure to pay is caused by an administrative or technical error; and
 - (B) payment is made within 3 (three) days of its due date;
 - (ii) any information or document given to the holder of the Bonds in writing or in electronic form by or on behalf of the Issuer or any representation, warranty or statement made or deemed to be made by the Issuer in the Framework Agreement is or proves to have been incorrect, incomplete or misleading in any material respect;
 - (iii) as a result of an event of default (however described) in relation to any loan, or any obligation arising out of any financial transaction of an aggregate principal amount of at least EUR 30,000,000 (say: thirty million euro) or the equivalent thereof in another currency, other than the Bonds, the Issuer, the Guarantor or any Material Subsidiary is required or is capable of being required or will, following expiry of any applicable contractual grace period, be required or be capable of being required to prepay, discharge, close out or terminate ahead of the originally scheduled maturity any other loan or obligation arising out of any financial transaction or any commitment for any other loan or obligation arising out of any financial transaction is cancelled or suspended;
 - (iv) the Issuer, the Guarantor or any Material Subsidiary is unable to pay its debts as they fall due, or suspends the repayment of its debts, or makes or seeks to make a composition with its creditors;
 - (v) subject to the mandatory provisions of law, the Issuer or any Material Subsidiary:
 - (A) enters into an agreement with a licensed advisor (i.e. supervisor of the arrangement) regarding supervising the proceedings for approving the arrangement (*zawarcie z nadzorcą układu umowy o sprawowanie nadzoru nad przebiegiem postępowania o zatwierdzenie układu*);
 - (B) commences to independently collect votes regarding the arrangement proposals (*rozpoczęcie samodzielnego zbierania głosów*), and for instance, delivers a ballot paper (*karta do głosowania*) to any of its creditors; or

- (C) is a subject of any meeting of its shareholders convened to consider a resolution for the dissolution (*rozwiązanie*) or having a similar effect or change of its legal form or any such resolution is passed;
- (vi) subject to the mandatory provisions of law, an encumbrancer takes possession of, or a receiver, liquidator, administrator, administrative receiver or similar officer is appointed, whether by a court of competent jurisdiction or by any competent administrative authority or by any person, of or over, any part of the business or assets of the Issuer or any Material Subsidiary with an aggregate value of at least EUR 30,000,000 (say: thirty million euro) or the equivalent thereof in another currency and such encumbrance or appointment is not dismissed within 60 (sixty) days from the date on which such encumbrance or appointment is made;
- (vii) the Issuer, the Guarantor or any Material Subsidiary defaults in the performance of any obligation in respect of any other loan granted by the Investor or financial instrument entered into with the Investor;
- (viii) the Issuer, the Guarantor or any Material Subsidiary defaults in the performance of any material obligation in respect of any other loan made to it from the resources of the European Union;
- (ix) any expropriation, attachment, arrestment, distress, execution, sequestration or other process is levied or enforced upon the property of the Issuer with an aggregate value of at least EUR 30,000,000 (say: thirty million euro) or the equivalent thereof in another currency and is not discharged or stayed within 45 (forty-five) days from the date such expropriation, attachment, arrestment, distress, execution, sequestration or other process is levied or enforced;
- (x) a Material Adverse Change occurs, as compared with the Issuer's or the Guarantor's condition at the date of this Issue Letter, where the "**Material Adverse Change**" means any event or change of condition, which has a material adverse effect on: (i) ability of the Issuer or respectively the Guarantor to perform its financial obligations under the Bonds, the Framework Agreement or respectively the Guarantee or; (ii) the operations, property, condition (financial or otherwise) or prospects of the Issuer, the Guarantor or any Material Subsidiary; or (iii) the legality, validity or enforceability of, or the effectiveness or ranking of, or the value of the Guarantee for the Bonds, or the rights or remedies of the holder of the Bonds under the Bonds, the Framework Agreement or respectively the Guarantee;
- (xi) it is or becomes unlawful for the Issuer or the Guarantor to perform any of its obligations under this Issue Letter, the Framework Agreement or respectively the Guarantee or this Issue Letter, the Framework Agreement or the Guarantee is not effective in accordance with its terms or is alleged by the Issuer or respectively the Guarantor to be ineffective in accordance with its terms;
- (xii) a Change-of-Control Event has occurred, however, if a Change-of-Control Event is about to occur, a holder of the Bonds may request that the Issuer consult with it. Such consultation shall take place within 30 (thirty) days from the date of the request.

If, after the earlier of:

- (A) the lapse of 30 (thirty) days from the date of such request for consultation, the effects of the Change-of-Control Event cannot be mitigated to the satisfaction of such holder of a Bond; or

(B) at any time thereafter, upon the occurrence of the anticipated Change-of-Control Event,

the holder of the Bonds may, by notice to the Issuer, demand early redemption of the Bonds of such holder of the Bonds pursuant to Clause 13(b);

- (xiii) a Change-of-Law Event has occurred, however, if a Change-of-Law Event is likely to occur, a holder of the Bonds may request that the Issuer consult with it. Such consultation shall take place within 30 (thirty) days from the date of the request. If, after the lapse of 30 (thirty) days from the date of such request for consultation the effects of the Change-of-Law Event cannot be mitigated to its satisfaction, that holder of the Bonds may by notice to the Issuer, demand early redemption of the Bonds held by such holder of the Bonds pursuant to Clause 13(b);
- (xiv) it becomes unlawful in Poland or any other applicable jurisdiction for a holder of the Bonds to hold the Bonds. If such an event occurs, a holder of a Bond shall promptly notify the Issuer of its details and it may demand early redemption of the Bonds held by such holder of the Bonds by notice to the Issuer made, pursuant to Clause 13(b), no earlier than 65 (sixty five) days prior to the lapse of any applicable expiration or grace period permitted by any applicable law;
- (xv) the Issuer fails to comply with any provision of the Framework Agreement or this Issue Letter (other than those referred to in Clause 13(a)(i) above), unless the non-compliance or circumstance giving rise to the non-compliance is capable of remedy and is remedied within 3 (three) Payment Business Days from its occurrence; or
- (xvi) the Guarantor fails to comply with any provision of the Guarantee.

For the purposes of this Clause 13:

- (i) a "**Change-of-Control Event**" occurs if:
 - (A) any person or group of persons acting in concert, other than the State Treasury of the Republic of Poland, gains control of the Issuer or of the entity directly or ultimately controlling the Issuer; or
 - (B) the State Treasury of the Republic of Poland ceases to be the beneficial owner directly or indirectly of the entire issued share capital of the Issuer;
- (ii) "**acting in concert**" means acting together pursuant to an agreement or understanding (whether formal or informal);
- (iii) "**control**" means the power to direct the management and policies of an entity, whether through the ownership of voting capital, by contract or otherwise;
- (iv) "**Change-of-Law Event**" means the enactment, promulgation, execution or ratification of or any change in or amendment to any law, rule or regulation (or in the application or official interpretation of any law, rule or regulation) that occurs after the date of this Issue Letter and which would materially impair the Issuer's ability to perform its obligations under the Bonds or the Guarantor's obligations under the Guarantee;
- (v) "**Framework Agreement**" means the framework agreement dated on or around the date hereof entered into between the Investor and the Issuer in relation to the

issuance of the Bonds, together with all amendments, consents and waivers relating thereto;

- (vi) "**Material Subsidiary**" means a Subsidiary:
 - (A) which is a debtor of the Investor under any finance document, an issuer of debt securities held by the Investor and acquired by the Investor on their issue date in performance of an underwriting agreement or other agreement of similar nature or a security provider for a direct benefit of the Investor; or
 - (B) which is a legal successor of, or any entity that may be set up as a result of transformation, merger or de-merger of, any of the Subsidiaries referred to in item (A) above; and
- (vii) "**Subsidiary**" means an entity of which the Issuer has direct or indirect control or owns directly or indirectly more than 50% (fifty per cent.) of the voting capital or a similar right of ownership.

- (b) In order to proceed with an early redemption of the Bonds following the occurrence of an Event of Default in accordance with Clause 13 (a), the holder of the Bonds shall submit to the Issuer (with a copy to the depositary maintaining the securities account on which such Bonds are recorded and to the Guarantor) a written request for the early redemption of all or part of the Bonds held by that holder of the Bonds, indicating at the same time the grounds for the early redemption request.

The Bonds held by that holder of the Bonds will become due and payable within five Payment Business Days (calculated pursuant to the KDPW regulations being in force at a given time), from the date of delivery of the above request, provided that the early redemption request is accompanied by a certificate of deposit concerning the Bonds held by that holder of the Bonds, in relation to which the request for early redemption is submitted (valid until the date of early redemption inclusive).

The Issuer will redeem the Bonds by paying the holders of the Bonds who have submitted such a request the principal amount of such Bonds, interest accrued for such Bonds until the date of early redemption (excluding that date) and costs calculated by the Investor based on the principal amount of Bonds held by held by a holder of the Bonds in the way set out in Schedule 1 to this Issue Letter.

14. Notifications

- (a) Any notifications to the holders of the Bonds will be made by the Issuer through the Issuer's website (<https://pfrsa.pl/relacje-inwestorskie/obligacje-pfr.html>).
- (b) Any notifications from the holders of the Bonds to the Issuer will be deemed effective if sent by registered mail or courier and delivered to Issuer's address disclosed in the register of entrepreneurs of the National Court Register.
- (c) If a notification is published by the Issuer after 15:00 on a business day (in Luxembourg and Warsaw), or on a day which is not a business day (in Luxembourg and Warsaw), it will be deemed to have been delivered on the first such business day following the day on which such a notification was actually published.

- 15. The terms and conditions included in this Issue Letter have been accepted by the Minister of Finance, Development Funds and Regional Policy.

Schedule 1 to the Issue Letter No. 2/2021 of Polski Fundusz Rozwoju S.A.

1	2	3	4	5	6
Number of the interest period	First day of the interest period (included in the interest period)	Last day of the interest period (excluded from the interest period)	Record date	Payment date	Interest amount for one Bond due on the relevant payment date
1	5 February 2021	5 February 2022	31 January 2022	5 February 2022	PLN 13,000.00
2	5 February 2022	5 February 2023	30 January 2023	5 February 2023	PLN 13,000.00
3	5 February 2023	5 February 2024	29 January 2024	5 February 2024	PLN 13,000.00
4	5 February 2024	5 February 2025	29 January 2025	5 February 2025	PLN 13,000.00
5	5 February 2025	5 February 2026	29 January 2026	5 February 2026	PLN 13,000.00
6	5 February 2026	5 February 2027	29 January 2027	5 February 2027	PLN 13,000.00
7	5 February 2027	5 February 2028	31 January 2028	5 February 2028	PLN 13,000.00

Calculation of costs

The costs referred to in Clause 12 or 13 of the Issue Letter shall: (i) accrue from the date the Bonds become due and payable (including that date) and be calculated on the basis that early redemption of Bonds is effected on such due date and (ii) be for the amount communicated by the Investor to the Issuer as the present value (calculated as of such due date) of the excess, if any, of:

- (a) the Interest Rate that would accrue thereafter on the Bonds over the period from such due date (including that date) to the Final Maturity Date (excluding that date), if the Bonds were not redeemed by the Issuer; over
- (b) the interest that would so accrue over that period, if it were calculated at the Redeployment Rate, less 0.15% (fifteen basis points).

The said present value shall be calculated at a discount rate equal to the Redeployment Rate, applied as of each relevant payment date for the Bonds (as indicated in Column 5 in the above table).

"Redeployment Rate" means the fixed annual rate determined by the Investor, being a rate which the Investor would apply on the day of the cost calculation to a loan that has the same currency, the same terms for the payment of interest and the same repayment profile or the Final Maturity Date as the Bonds. Such rate shall not be of negative value.

Schedule 2 to the Issue Letter No. 2/2021 of Polski Fundusz Rozwoju S.A.

Interest Rate calculation formula

The amount of interest payable in respect of each Bond for any interest period shall be calculated by applying the Interest Rate to the principal amount of one Bond. The interest amount will be calculated up to two decimal places.

Schedule 3 to the Issue Letter No. 2/2021 of Polski Fundusz Rozwoju S.A.

Form of Declaration of Guarantor on Guarantee

Declaration on the State Treasury's guarantee

(fixed-rate bonds)

Art. 1.

Under Art. 21aa.2 of the Act on the System of Development Institutions dated 4 July 2019 (Journal of Laws 2020 item 2011 with further amendments) the liabilities of Polski Fundusz Rozwoju S.A. with its registered office in Warsaw at ul. Krucza 50, hereinafter referred to as the "**Issuer**", towards each holder of the bonds, hereinafter referred to as the "**Bondholder**", that arise as a result of purchasing the Issuer's bonds with the abbreviated name PFR0228, hereinafter referred to as the "**Bonds**", documented by the Issue Letter No. 2/2021 dated 28 January 2021 ("**Issue Letter**") on the issue of the bonds by Polski Fundusz Rozwoju S.A. the proceeds of which shall be utilised to fund "*Governmental Programme – Polish Development Fund's Financial Shield 2.0 for Micro-Firms, Small and Medium Enterprises*" maturing on 5 February 2028, are secured with a guarantee of the State Treasury, represented by the Minister of Finance, Development Funds and Regional Policy hereinafter referred to as the "**Guarantor**".

Art. 2.

1. The guarantee covers the Issuer's financial obligations in favour of each Bondholder and on the dates ("**Payment Dates**" and each the "**Payment Date**") specified in the Issue Letter, hereinafter referred to as the "**Financial Obligations**", consisting of payments of:
 - (i) the principal amount of the Bonds in the total amount of up to PLN 1,000,000,000.00 (say: one billion zloty) on the final maturity date of the Bonds set out in the Issue Letter;
 - (ii) the interest on the Bonds on its payment dates set out in the Issue Letter;
 - (iii) any amount due under the Bonds as set out in the Issue Letter on the date of early redemption of Bonds, in case of the Issuer's liquidation or upon any event of default all as specified in the Issue Letter; and
 - (iv) any costs directly relating to the Bonds,

where the Guarantor's liability under the Bonds shall be limited to PLN 1,400,000,000.00 (say: one billion four hundred million zloty), hereinafter referred to as the "**Guaranteed Amount**".

2. The Guarantor irrevocably and unconditionally undertakes at the first written demand by a Bondholder to duly and punctually pay any due and payable Financial Obligations.

Art. 3.

1. The Guarantee is the Guarantor's sole obligations towards the Bondholders as the beneficiaries of the Guarantee to pay the Financial Obligations in Polish zloty in the events set out in the Issue Letter.
2. The Guarantor shall pay on each Payment Date, but subject to the Guarantee Amount the amount equal to, and in the currency of, the amount of the due Financial Obligations set out in Art. 2.1 (i), (ii) and (iv) due to the relevant account kept by the National Depository for Securities (*Krajowy Depozyt Papierów Wartościowych*), if the Issuer fails to fund the account used for servicing the payments

under the Bonds with the amount sufficient to pay the Financial Obligations until 10:00 a.m. (in words: ten o'clock in the morning) on the business day preceding each respective Payment Date.

3. If the Issuer fails to pay any Financial Obligation set out in Art. 2.1 (iii) the Guarantor shall pay, but subject to the Guarantee Amount, the amount equal to, and in currency of, the amount of this Financial Obligation to the relevant account kept by the National Depository for Securities within 7 (in words: seven) business days following the opening of the Issuer's liquidation or respectively the submission of the request of a Bondholder.
4. The date when the Guarantor performs its obligations shall be the date when the relevant funds are transferred to the bank account indicated by the participant of the National Depository for Securities (*Krajowy Depozyt Papierów Wartościowych*) holding the securities account for the Bondholder or holding an omnibus account on which the Bonds are registered.
5. Each amount of the Financial Obligations duly paid by the Issuer or duly paid by the Guarantor under the Guarantee shall appropriately reduce the Guaranteed Amount.

Art. 4.

1. The obligations under the Guarantee are the direct, inalienable and unsecured obligations of the Guarantor ranking *pari passu* with all other existing unsecured and unsubordinated obligations of the Guarantor current or future.
2. The obligations of the Guarantor and the rights of the Bondholders under the Guarantee shall remain effective also in the event when:
 - (a) the Issuer is declared bankrupt or placed in liquidation or ceases or suspends to carry on its business;
 - (b) the Issuer's legal form is changed, the Issuer is demerged or merged with another entity as well as when the Issuer's shareholding structure changes;
 - (c) the Issuer's liabilities under the Bonds are declared invalid or ineffective or these liabilities become unenforceable;

and none of the events set out in paragraphs (a) – (c) above affects the scope of the Guarantor's liabilities under the Guarantee, in particular when the Issuer is released from the debt under the Bonds as a result of any proceedings or the issuing of any act of law being the generally applicable source of law, the Guarantor's liability under the Guarantee shall be the same as if such release had not taken place.

3. If at any time any provision of the Guarantee is or becomes ineffective, invalid or unenforceable for any reasons by virtue of law, the effectiveness, validity or enforceability of such provision shall not in any way whatsoever affect the validity and enforceability of the remaining provisions of the Guarantee, pursuant to Art. 58.3 of the Civil Code.

Art. 5.

1. The Guarantee shall be valid until 5 February 2029.
2. The provisions of Polish law shall govern this Declaration.

Art. 6.

All and any amendments to this Declaration may be made only in writing and with a prior written consent of the Bondholders, otherwise being null and void.

Art. 7.

All disputes related to performance of the Guarantee shall be resolved by the common court relevant for the Guarantor's registered office.

For the Guarantor:

By authority of the Minister of Finance, Development Funds and Regional Policy

.....

.....

Warsaw, [DATE]