

Current Report No. 49/2012

Date of preparation: 31 October 2012

Subject: Termination of the significant agreement for the supply of power coal by Elektrownia Ostrołęka S.A.

General legal basis: Article 56.1.2 of the Act on Public Offering – current and periodic information

Content:

The Management Board of Lubelski Węgiel Bogdanka S.A. with registered office in Bogdanka (“Company”) hereby announces that on 30 October 2012 it was informed by Elektrownia Ostrołęka S.A., the power plant with registered office in Ostrołęka at ul. Elektryczna 5 (“Power Plant”) about the termination of Long-Term Agreement No. 1/LW/D/2010 (“Agreement”) concluded on 19 October 2010, the scope of which covered future power coal supplies to a power unit in Ostrołęka currently under construction, i.e. Unit C with power of approx. 1,000 MW (“Unit”), under which the supply of coal and operation of Unit C were expected to commence in 2016. The Agreement was described in Current Report 40/2010 and Current Report 38/2012 of 29 June 2012 (Annex to the Agreement).

The Power Plant stated that the reason for terminating the Agreement was a change in market variables as regards project financing, as well as the fact that the Energa Group adopted a Long-Term Investment Plan. As a result, the project concerning the construction of Unit C was suspended, and consequently, the operation of the Unit will not commence in 2016 as scheduled in the Agreement.

Termination of the Agreement does not bring financial consequences which would affect the Company's current position, because the Agreement covers future supplies with regard to which the Company took account of a high risk of the project failure, as the Agreement provided for the obligation to obtain financing for the investment in Unit C.

In its termination notice, the Power Plant refers to Article 11.3 of the Agreement which reads as follows:

“Each Party may terminate the Agreement upon a 3-year notice, which shall commence on 1 January of the year following the year in which the termination was effected (subject to Article 11.2).”

At the same time, the Power Plant requested the Company to hold negotiations aimed at terminating the Agreement by mutual agreement before the lapse of the termination period. The Company is now considering the issue, and will inform you of a potential agreement in a current report.

Legal basis for submitting the report: Article 5.1.5 of the Regulation of the Minister of Finance on the Stock Exchange.