

Current Report No. 3/2012

Prepared on: 23 January 2012

Subject: Conclusion of a new long-term significant agreement with Elektrownia Kozienice S.A. for the purpose of Elektrownia Kozienice's power unit currently under development; conclusion of an annex to the existing long-term agreement

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

Content:

The Management Board of LW Bogdanka S.A. (the “Company” or the “Seller”) hereby announces that on 23 January 2012 it concluded a new Long-Term Agreement No. UW/LW/01/2012, which supplements the existing one, on the supply of power coal (the “Agreement”) with Elektrownia Kozienice S.A. with registered office in Świerże Górne, Kozienice, 26-900 Kozienice 1 (the “Purchaser”), for the purpose of Elektrownia Kozienice S.A.'s power unit currently under development.

The Agreement was signed for the period from the execution until 31 December 2036, with the power coal supplies to commence in the 1st calendar quarter of 2017. The Agreement provides for 20 calendar years of power coal supplies for the purpose of Elektrownia Kozienice S.A.'s power unit currently under development.

The estimated net value of the Agreement according to supply prices in the current year accounts for **PLN 11.248 billion** without the account taken of the quantitative volume tolerance of +/- 5% as provided for in the Agreement.

The Agreement sets out the following conditions:

1. The prices of the power coal will be set for a given calendar year of physical supplies by way of negotiations, taking into account the dynamics of price movements with respect to power coal supplies in Poland;
2. Annual agreements will be signed to specify: volume, supply schedule, supply prices, declared quality parameters, other rules governing logistics and supply settlements during the term of the annual agreement.
3. The Parties to the agreement have the right to terminate it in the event that they fail to successfully negotiate prices for the following calendar year during the term of the Agreement, upon a two-years' notice which starts on 1 January of the following year;
4. Additionally, the Purchaser has the right to terminate the Agreement, upon a six-months' notice if all of the following conditions do not occur jointly by 31 December 2012:
 - (a) an agreement for the construction of the power unit is signed,
 - (b) financing of the unit construction is closed, and the closing is confirmed by a resolution of the Management Board of Elektrownia Kozienice S.A.

The Agreement provides for the following liquidated damages:

1. for a failure to collect or supply the volume of coal resulting from the supply schedule, the liquidated damages account for 20% of the value of coal which has not been collected or supplied.

2. for the supply, by the Seller, of coal with quality parameters are worse than border parameters specified in the Agreement - the liquidated damages account for 1% to 5% of the net value of the supply of power coal;
3. Each of the Parties to the Agreement has the right to claim supplementary damages on general terms if the liquidated damages are insufficient to cover the value of the incurred damage.

Other terms and conditions do not differ from the market standards applied in such agreements.

Further, the Management Board of LW BOGDANKA S.A. hereby announces that on 23 January 2012 it concluded, with Elektrownia Kozienice S.A. with registered office in Świerże Górne, Kozienice, 26-900 Kozienice 1, Annex 1 to the existing Long-Term Agreement No. UW/LW/01/2010, on the supply of power coal, referred to in Current Reports published by the Company - No. 5/2010 dated 5 March 2010, No. 44/2010 dated 20 December 2010 and No. 31/2011 dated 27 December 2011, which remains in force and effect until **31 December 2025**.

According to Annex 1, the existing manner of setting prices in annual agreements will be changed and the solution adopted in the new additional Agreement will be applied as follows: the prices of the power coal will be set for a given calendar year of supplies by way of negotiations, taking into account the dynamics of price movements with respect to power coal supplies in Poland.

As a result of concluding the new additional agreement No. UW/LW/01/2012 and Annex 1 to the existing Long-Term Agreement No. UW/LW/01/2010, the Parties are now bound by two long-term agreements whose total value for the period 2011-2036 at current prices amounts to approx. **PLN 22.772 billion**.

The criterion for deeming the concluded Agreement to be significant is that it exceeds 10% of the value of the Company shareholders' equity.

Legal basis for submitting the report: Article 5.1.3 of the Regulation of the Minister of Finance on the Stock Exchange