

## Current Report No. 36/2016

Date of preparation: 29 September 2016

### **Subject: Conclusion of Annexes to Annual Agreements with ENEA Wytwarzanie Sp. z o.o.**

General legal basis: Article 17.1 of the MAR Regulation - Inside Information

Content:

The Management Board of LW BOGDANKA S.A. (the “Company” or the “Seller”) hereby informs you that on 29 September 2016 it concluded an Annex to *Long-Term Agreement for the supply of thermal coal No. UW/LW/01/2010* (“Long-Term Agreement I”) and an Annex to *Long-Term Agreement for the supply of thermal coal No. UW/LW/01/2012* (“Long-Term Agreement II”) with ENEA Wytwarzanie Sp. z o.o. with registered office in Świerże Górne, 26-900 Kozienice 1.

Long-Term Agreement I was referred to in Current Reports Nos. 5/2010 of 5 March 2010, No. 44/2010 of 20 December 2010, No. 31/2011 of 27 December 2011, No. 3/2013 of 15 January 2013, No. 9/2013 of 29 March 2013, No. 3/2014 of 15 January 2014, No. 2/2015 of 25 March 2015, No. 24/2015 of 21 August 2015 r. and No. 8/2016 of 3 March 2016.

The Annex to Long-Term Agreement I (agreement for coal supplies for the purposes of power plant units under current operation), specifies the price of supplies and supply volumes in 2016-2017.

As a result of concluding the Annex, Long-Term Agreement I will expire on 31 December 2017, and the net value of the entire Long-Term Agreement I effective between 2011 and 2017 will amount to PLN 4,641 million, i.e. 8.19% less than reported in Current Report No. 8/2016.

Other terms and conditions of Long-Term Agreement I remain unchanged and do not differ from the market standards applied in such agreements.

Long-Term Agreement II was referred to Current Report No. 3/2012 of 12 January 2012.

As a result of concluding the Annex to Long-Term Agreement II effective from 2017 to 2036, the Parties decided to extend the scope of cooperation by changing supply volumes set out therein. Further, the Annex to Long-Term Agreement II specifies coal supply prices in 2017.

As a result of concluding the Annex, the net value of the entire Long-Term Agreement II effective between 2017 and 2036 will amount to PLN 13,970 million, i.e. 24.20% more than reported in Current Report No. 3/2012, however in the period 2017-2025 the net value of Long-Term Agreement II will be PLN 8,945 million.

In addition, Long-Term Agreement II provides for the following terms and conditions:

1. The prices of the thermal 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 thermal 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 Long-Term Agreement II, upon a two-years' notice which starts on 1 January of the following year.

Liquidated damages set forth in the agreement were referred to by the Company in Current Report No. 3/2012 of 23 January 2012.

Other terms and conditions of Long-Term Agreement II do not differ from the market standards applied in such agreements.

As a result of concluding the annexes, the total value of Long-Term Agreement I and Long-Term Agreement II in 2011-2036, according to current prices, amounts to approximately PLN 18,611 million net.

The information was delayed due to the necessity to obtain consent for the conclusion of the abovementioned Annexes by the Company's Supervisory Board.

The Management Board treats the above information as significant given the level of significance of the above Agreement for the Company's operations.