

Current Report No. 13/2012

Date of preparation: 23 April 2012

Subject: Concluding a significant agreement with PGNIG Termika SA

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., with registered office in Bogdanka (the "Company", the "Seller"), hereby announces that on 23 April 2012 it concluded an Agreement on Sale/Purchase of Power Coal (the "Agreement") with PGNIG Termika SA, with registered office in Warsaw, 03-216 Warsaw, ul. Modlińska 15 (the "Buyer"). The Agreement concerns coal supplies provided by the Company in 2013-2015 for the purposes of, among others, Żerań Heat and Power Station and Siekierki Heat and Power Station, both owned by PGNIG Termika SA (formerly Vattenfall Heat Poland S.A.).

The Agreement is in effect from the date of conclusion thereof until 31 December 2015.

The value of the Agreement at current prices amounts to **PLN 1,062,180,000 net** without permissible deviations and tolerance specified in the Agreement.

The Agreement provides for the following liquidated damages or compensation:

- a) The Party to the Agreement which fails to collect or supply the contracted amount of coal in settlement periods, shall pay the other Party liquidated damages in the amount of 10% of the value of the undelivered/uncollected coal.
- b) The Buyer may demand liquidated damages from the Seller for exceeding the quality parameters by 1-3% of the value, in the monthly settlement.
- c) If the coal delivered to the Buyer under this Agreement is subject to excise tax, and on the basis of a decision of a relevant institution the Buyer will be obliged to pay the tax due to reasons attributable to the Seller, on the basis of the decision of the relevant institution the Buyer will encumber the Seller with compensation on the basis of a note, equivalent of the paid excise tax, as a result of imposing excise tax on the coal in question, along with the statutory interest.
- d) If the coal delivered to the Buyer under this Agreement is subject to excise tax, and the Seller will be obliged to pay it due to reasons attributable to the Buyer or his authorised carrier, on the basis of a decision of a relevant institution the Seller will encumber the Buyer with compensation on the basis of a note, equivalent of the paid excise tax, as a result of imposing excise tax on the coal in question, along with the statutory interest.
- e) Each of the Parties has the right to claim supplementary compensation on terms specified in the Polish Civil Code if the liquidated damages fail to cover the value of the inflicted damage.

The Agreement provides for the following terms of termination:

- a) Each of the Parties has the right to terminate the Agreement upon a twelve-months' notice.

- b) In the event of repetitive Seller's failure to meet the quality of border parameters of the coal supplied, the Buyer has the right to terminate the Agreement with immediate effect, irrespective of the applied liquidated damages.

The Agreement sets out the following conditions precedent:

- a) In the event that the supply price for 2014 is not established by 30 April 2013, the Agreement becomes automatically terminated as at 31 December 2013.
- b) In the event that the supply price for 2015 is not agreed upon by 30 April 2014, the Agreement shall automatically be terminated as at 31 December 2014.

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

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

Moreover, the Company hereby announces that the total value of all Agreements binding the Company with PGNIG Termika SA, regarding supplies of power coal for the purposes of Żerań Heat and Power Station and Siekierki Heat and Power Station, both owned by PGNIG Termika SA, amounts to **PLN 1,315,910,000 net** without permissible deviations and tolerance specified in the Agreements, and these are the following Agreements:

- (a) an Agreement on Sale/Purchase of Power Coal, worth **PLN 1,062,180,000 net**, which is the subject of this report and determines the supplies of power coal for 2013-2015.
- (b) an Agreement on Sale/Purchase of Power Coal of 11 April 2011, which was subject of the Current Report No 7/2011, worth approximately **PLN 217,560,000 net**, which determines the basic supplies of power coal in 2012.
- (c) an Agreement on Sale/Purchase of Power Coal of 2 April 2012 worth approximately **PLN 36,230,000 net**, which determines the additional supplies of power coal in 2012.

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