Current Report No. 28/2011

Prepared on: 20 December 2011

Subject: Conclusion of a significant agreement with Elektrownia Północ Sp. z o.o. for the supply of power coal

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

Contents:

The Management Board of LW Bogdanka S.A. (the “Company” or the “Seller”) hereby announces that on 20 December 2011 it has concluded a Long-Term Agreement on the Supply of Power Coal with Elektrownia Północ Sp. z o.o. with registered office in Warsaw (the "Buyer") for the purposes of the projected power units of the Power Plant (Unit I, Unit II) in the Municipality of Pelplin (the “Power Plant”) with the capacities ranging from 780 MW to 1,050 MW, each having supercritical boilers, and applying the technology of pulverized coal (pc) combustion.

The total value of the Agreement, estimated in accordance with the current year prices, amounts to **PLN 10.352 billion** net, provided that the supplies are executed for the entire period of 21 calendar years from the date on which they commence.

The coal supplies will be executed for the maximum period of 21 calendar years from the date on which operating of each power unit of the Power Plant commences (the date of commencing supplies) together with the start-up period of each power unit, with a proviso that in the first year of operating the power units the volume of supplies will be proportionate to the entire calendar year and dependent on the actual date of commencing the supplies.

The Agreement or its part will be automatically terminated (in part, i.e. as regards Unit I or Unit II, respectively) in the case of failure to reach financial closing which is subject to a deadline.

The date of commencing the supplies to each power unit of the Power Plant is calculated from the date of financial closing (obtaining debt financing).

Under the provisions of the Agreement, it might be terminated in the case that:

a. the coal supplied by the Seller fails to comply with the border parameters provided for in the Agreement during the specified period of time;
b. the Seller supplies and/or the Buyer collects such an amount of coal which is lower than the specified minimum amount to be supplied/collected, excluding instances of failure to supply/collect due to circumstances caused by force majeure occurring during this period of time;
c. the Buyer is in default on payments;
d. the Buyer fails to commence commercial operation of the power units of the Power Plant at the dates provided for in the Agreement;

provided that the Party that is at fault for terminating the Agreement is in such a case obliged to pay the amount equal to the value of annual supplies calculated from the date of terminating the Agreement in 12 equal monthly instalments.

The Agreement provides for the following liquidated damages:

a. for exceeding quality border parameters provided for in the Agreement, the liquidated damages account for 1 (one) % to 5 (five) % of the value of actual supplies with regard to which the parameters were exceeded;
b. for a failure to collect or supply the volume of coal resulting from the supply schedule, the liquidated damages account for 20 (twenty) % of the value of the volume of coal which has not been collected or supplied.

The Agreement does not provide for the possibility of claiming damages in excess of the specified liquidated damages.

The principles of specifying coal prices depend on the growth rate of coal prices on the global and domestic markets.

Other terms and conditions of the Agreement do not differ from the market standards applied in agreements typical for the Project finance scheme.

The criterion for deeming the concluded Agreement as significant is that it exceeds 10 (ten) % 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