

Current Report No. 40/2010

Date of preparation: 19 October 2010

Subject: Conclusion of a significant agreement with ENERGA Elektrownie 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 LW Bogdanka S.A. with registered office in Bogdanka (“Company”) hereby announces that on 19 October 2010 it signed a *Long-Term Agreement* on the sale of power coal with *ENERGA Elektrownie Ostrołęka* with registered office in Ostrołęka at ul. Elektryczna 5.

The Agreement concerns the supply of power coal for the purposes of a new power unit in Ostrołęka – Unit C with the power of approx. 1000MW.

The term of this Agreement shall commence on the date of concluding the Agreement and expire upon completion of supplies due for the entire period of 19 years during which Unit C will be operated. The supplies as well as the operation of Unit C are to commence in 2016.

The price of coal shall be estimated for quarterly periods on the basis of the pricing formula connected with the prices of coal on global markets.

According to current prices, the net value of the entire Agreement amounts to approx. PLN 12.5 billion.

The Agreement provides for the following liquidated damages:

The Party to the Agreement which fails to collect or supply the contracted amount of coal in quarterly periods, shall pay the other Party the equivalent of its value.

The Agreement provides for the following terms of termination:

The Company may terminate the Agreement in the event of failure to conclude an agreement on designing, contracting and constructing planned Unit C as well as failure to complete the financing of power unit investment by 30 June 2012. The Parties may not terminate the Agreement during the first 12 years from the date on which the new unit starts to be operated. After this period the Parties are entitled to terminate the Agreement at a three years' notice period.

Terms and conditions of the Agreement do not differ from the standards applied in agreements typical for *Project finance* scheme.

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