

Current report 27/2013

Subject: Material Agreement – loan agreement with the Provincial Fund for Environmental Protection and Water Management in Wrocław

The Management Board of Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A. seated in Wrocław hereby reports that on 29 October 2013, a loan agreement was concluded for a subsidy for the task titled *Design and completion of wet flue gas desulphurisation system using the lime-gypsum technology in Elektrociepłownia Wrocław*.

1. The agreement was concluded on 29 October 2013.
2. Parties to the agreement:
 - a. the Provincial Fund for Environmental Protection and Water Management seated in Wrocław (hereinafter referred to as the Fund);
 - b. Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A. seated in Wrocław.
3. The subject of the agreement is the loan in the amount of PLN 99 million (say: ninety nine million zloty) for a subsidy for the project titled *Design and completion of wet method flue gas desulphurisation system using the lime-gypsum technology in Elektrociepłownia Wrocław*.

The loan is regional aid (number of the aid programme of regional public aid for selected projects related to environmental protection: XR 18/2007) and the Company shall ensure that the project is used for at least 5 years from the project commissioning date.

As a result of the undertaking, the environmental effect will be achieved consisting in limited emission (SO₂ and dust) to the air from the boilers, as the flue gas from the boilers will be purified in the proposed system.

The total cost of the task will amount to PLN 199 million (say: one hundred ninety nine million zloty), which the Company reported in the *Current Report No. 33/2012* of 6 December 2012.

4. The loan amount shall be transferred in seven instalments throughout the period from 8 November 2013 to 30 September 2015. Repayment of the loan in seven instalments shall start in June 2016 and shall end in December 2019. The loan interest rate shall be fixed and shall amount to 3.5% annually.
5. The Fund has reserved the right to monitor both the use of the loan on ongoing basis and the Issuer's financial as well as legal and organisational status with admissible participation of the National Fund for Environmental Protection and Water Management seated in Warszawa. The Issuer shall provide the Fund with the documents confirming achievement of the tangible effect in terms of construction of the wet flue gas desulphurisation system. Additionally, the Issuer shall submit the documents confirming the achievement of the environmental effect. Failure to meet the loan payout deadline on the part of the Fund due to lack of sufficient funds under the

financial plan for a calendar year the payout was scheduled for shall not be deemed a delay on the part of the Fund in performance of the agreement and shall not be the basis for any claims. In other aspects, the terms and conditions of the agreement shall be consistent with standard terms and conditions of similar agreements.

6. In the event the capital amount due in line with this agreement is not repaid within the applicable deadline, the Fund shall charge penalty interest in the amount provided for in the regulations on charging interest for late payment of tax liabilities.
7. Repayment of the loan within the applicable deadlines shall be secured by:
 - a blank promissory note with “protest waived” annotation for PLN 118,800,000 (say: one hundred eighteen million eight hundred thousand zloty), including a blank promissory note agreement;
 - transfer of receivables from an agreement for sale of electricity;
 - a declaration on voluntary submission to the enforcement procedure pursuant to article 777 section 1 item 5 of the Code of Administrative Procedure up to the amount of PLN 118,800,000 (say: one hundred eighteen million eight hundred thousand zloty) in the form of a notarial deed.
8. The loan (its particular instalments) shall be made available provided that the requirements stipulated in the agreement have been met, particularly provided that the Issuer has submitted evidence of completion of the task financed with the funds provided by the Fund as well as the evidence of payment of the invoices financed with the loan. The loan shall be paid out pursuant to the terms and conditions provided for in the agreement, provided the Fund has sufficient funds at its disposal under the financial plan for the calendar year the payout has been scheduled for. The agreement provides for no other conditions or deadlines.
9. The agreement is deemed material as its value has reached 10% of the Issuer’s equity.

Legal basis: article 56 section 1 item 2 of the Public Offering Act – current and interim information, § 5 section 1 item 3 and § 9 of the Ordinance by the Minister of Finance of 19 February 2009 on current and interim information communicated by issuers of securities and on the conditions for regarding as equivalent the information required by the provisions of law in force in a non-Member State (Dz. U. [Journal of Laws] of 2009 No. 33 item 259, as amended).