

Current Report 29/2014

Subject: material agreement - long-term steam coal sale agreement

The Management Board of Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A. with its registered office in Wrocław hereby reports that on 22 July 2014 – in place of the existing agreement between the parties reported by the Issuer in the Current Report 13/2005 on 25 May 2005 – a steam coal supply agreement was entered into by the Consortium of KOGENERACJA – EDF Paliwa Sp. z o.o. and Katowicki Holding Węglowy S. A. (in the form of an annexe to the existing agreement, introducing a consolidated text of the agreement).

1. The agreement was entered into on 22 July 2014 for contract coal deliveries that shall be made in the period between 1 July 2007 and 30 June 2021. Executing the annexe to the agreement, the parties kept historical provisions, particularly those concerning deliveries starting from 2007.
2. The parties agreed on the volume of deliveries of contract coal of 720,000 tonnes (volume of annual deliveries) in the period between 1 July 2007 and 31 December 2015 and of 620,000 tonnes (volume of annual deliveries) in the period between 1 January 2016 and 30 June 2021, unless the appendices to the agreement stipulate otherwise.
3. Parties to the agreement:

Consortium of KOGENERACJA – EDF Paliwa Sp. z o.o., as the Buyer, formed by:

Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A. with its registered office in Wrocław, as the Buyer – Consortium Leader

EDF Paliwa Sp. z o.o. with its registered office in Kraków – a company whose core business is the supply of fuels to EDF Group companies – Consortium Delegate

Katowicki Holding Węglowy S. A. with its registered office in Katowice – the Seller

4. The subject of the agreement is the long-term supply of contract coal. Under this Agreement, EDF Paliwa Sp. z o.o. shall purchase contract coal in order to resale it to KOGENERACJA S.A. and other EDF Group companies.
5. The parties agree that the contract coal shall be delivered as follows:

- a) in 2014, only low sulphur coal shall be delivered;
- b) in 2015, low sulphur coal shall be delivered, but, at the Consortium Delegate's request, deliveries of standard coal in the amount up to 30% as part of the annual volume shall be possible;

- c) starting from 1 January 2016 or from the DeSO_x system start-up date (if the flue gas desulphurisation system is put into service after this date), standard coal shall be delivered, but deliveries of low sulphur coal under separate arrangements shall be possible.
6. The fee for the provision of services under the agreement was estimated for the term of the agreement, i.e. for the period from the effective date of the annexe in 2014 to 30 June 2021, at PLN 1,019,302 thousand net. The Seller's fee in subsequent years shall depend on the actual sales volume and coal price.
7. The agreement includes provisions specifying the amount of liquidated damages for failure to deliver or to collect contract coal or for delays in deliveries as follows:
- a. for failure to deliver or to collect coal in the annual volume agreed by the Parties with a tolerance of -5%: 10% of the value of contract coal that has not been delivered or collected,
- and
- in the amount corresponding to the documented penalties imposed on KOGENERACJA S.A. if failure to deliver contract coal results in penalties for exceeding SO₂ emission limits,
- or
- 10% of the value of contract coal that has not been delivered or collected,
- and
- in the amount of documented costs incurred by KOGENERACJA due to the necessity to purchase additional SO_x emission allowances,
- or
- 10% of the value of contract coal that has not been delivered or collected,
- and
- in the amount corresponding to the documented costs of purchase of alternative contract coal, while the Consortium in such a situation shall exercise due diligence as required in connection with good commercial practice;
- b. for failure, through the fault of the Seller, to meet the delivery schedule if it makes it impossible for KOGENERACJA S.A. to keep the obligatory minimum reserve stipulated in the Energy Law, the Seller shall reimburse KOGENERACJA S.A. all documented expenses incurred as a result of sanctions imposed by the Energy Regulatory Office in this respect;
- c. if, for the reasons attributable to the Seller, the Seller fails to make deliveries on dates specified in the orders, the Seller shall pay the documented costs incurred by

the Consortium Delegate due to the Seller's failure to make deliveries on these dates;

- d. if, for the reasons attributable to the Seller, the Seller fails to make deliveries on dates specified in the monthly schedules, the Seller shall pay the documented costs incurred by the Consortium Delegate due to the Seller's failure to make deliveries on these dates.
8. The payment of liquidated damages shall not exclude claims for damages in excess of the amount of these liquidated damages.
9. The agreement was entered into for a fixed period of time, until 30 June 2021.
10. The agreement was not entered into with a reservation concerning any condition or deadline.

The agreement is deemed material as its value is equal to 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] No. 33 item 259 as amended).