

First Global District Energy Climate Awards

Application form

CONTENTS

<u>1. CHARACTERISTICS OF MPEC S.A. OF KRAKOW.....</u>	<u>3</u>
<u>2. THE POTENTIAL OF MPEC S.A. OF KRAKOW - KEY PROJECTS LEADING TO TECHNICAL AND TECHNOLOGICAL DEVELOPMENT, EXECUTED WITH THE USE OF THIRD PARTY FUNDS.....</u>	<u>5</u>
<u>3. ENVIRONMENTAL PROTECTION AND QUALITY IMPROVEMENT ACTIVITIES IMPLEMENTED THROUGH APPLICATION OF INNOVATIVE TECHNOLOGIES - OBJECTIVES, DEVELOPMENT PLANS.</u>	<u>12</u>
<u>4. MPEC S.A.'S RELATIONSHIPS WITH THIRD PARTIES</u>	<u>15</u>
<u>5. PHOTOGRAPHIC PRESENTATION OF KEY PROJECTS EXECUTED BY MPEC S.A.</u>	<u>18</u>

1. Characteristics of MPEC S.A. of Krakow

The activity of Miejskie Przedsiębiorstwo Energetyki Ciepłej S.A. [Municipal Heat Engineering Joint Stock Company] is based on more than fifty years of experience in supplying heat to apartments, enterprises and institutions. Our energy is used not only for heating but also for preparation of domestic hot water, for air conditioning and ventilation purposes, and for other specific process purposes.

The enterprise was established in 1953 and was then called Miejskie Ciepłownie. Its first function was to provide maintenance of local heat sources on housing estates and maintenance of heat distribution networks linked to these sources. At that time, the company's assets were not significant - 7 boiler rooms serving the purposes of housing estates in Nowa Huta district, 5 stations of the same type in other districts of Krakow, and approximately 30 km of heat distribution network. Miejskie Ciepłownie would then hire 127 employees.

1959 was the year of commencement of the construction of first heat mains section leading from the then Lenin Steelworks. In the same year, the company's name was changed into Miejskie Przedsiębiorstwo Energetyki Ciepłej.

In 1960, some housing estates in Krakow were connected to the new heat source built in the city, namely to Dajwór Heat & Power Generating Plant. Roughly at the same time, the authorities of Krakow came out with a plan to build one major heat source, designed to supply heat to the whole city - the Łęg Heat & Power Generating Plant. The function of MPEC was to transfer heat from the source of production (the power plant) to consumers' buildings: blocks of flats, factories and processing plants, schools, hospitals and other facilities.

Heat was first supplied to the network from the newly opened Heat and Power Generating Plant in Łęg in 1970. Together with extension of the Heat & Power Generating Plant, construction of four heat mains also began. Consecutive district coal-fired boiler stations were closed during the next years, and the buildings in housing estates previously supplied by these were now connected to the municipal network.

In 1985, heat supplies from Heat and Power Generating Plant in Skawina were launched to buildings located in Krakow.

In 1993, ownership structure of the company *was changed*. *MPEC was transformed from a municipal public enterprise into a Joint Stock Company*. The Commune of Krakow became the owner of 100% shares. As from 1999, in the course of establishment of Krakowski Holding Komunalny S.A. [the Municipal Holding of Krakow Joint Stock Company], all shares of MPEC S.A. of Krakow were contributed to the newly formed Company. Miejskie Przedsiębiorstwo Energetyki Ciepłej S.A. in Krakow (MPEC S.A.) is a commercial company registered in the Registry of Entrepreneurs of the National Court Register with number KRS 0000058452. The value of its share capital is PLN 35,600,000, divided into 3,560,000 shares.

The Company operates pursuant to the Act of September 15, 2000 - Code of Commercial Partnerships and Companies; the Municipal Management Act of December 20, 1996; the Act of April 10, 1997 - Energy Law, and other applicable codes and standards. MPEC S.A. operates in the field of production, trade, transmission and distribution of heat, on the basis of licenses granted by the President of the Energy Regulatory Authority for:

- production of heat: ref. WCC/170/215/U/OT-3/98/JP, dated October 5, 1998 (as amended),
- transmission and distribution of heat: ref. PCC/185/215/U/OT-3/98/JP, dated October 5, 1998 (as amended),
- heat trade: ref. OCC/61/215/U/OT-3/98/JP, dated October 5, 1998 (as amended).

Today, Miejskie Przedsiębiorstwo Energetyki Ciepłej S.A. has 730 employees and is recognized as a leader among the most advanced heat industry operators in Poland.

Miejskie Przedsiębiorstwo Energetyki Ciepłej S.A. supplies heat to customers from Krakow, Skawina and Wieliczka. It serves 4,465 clients and heats 8,001 buildings/premises

(public service facilities, hospitals, office buildings, shopping centers and historical monuments) with a total capacity of 70,986 thousand m³. It operates 750 km of heat distribution network, including 310 km of preinsulated network. It purchases heating power from three vendors: Elektrociepłownia Kraków S.A. [Krakow Heat & Power Generating Plant Joint Stock Company], Elektrownia Skawina S.A. [Skawina Heat & Power Generating Plant Joint Stock Company] and ArcelorMittal Poland S.A. o/Kraków S.A. [ArcelorMittal Poland Joint Stock Company, Krakow Branch Joint Stock Company], and produces heat at more than one hundred of its own gas- and gas/oil-fired boiler stations. It is not the ultimate objective of MPEC S.A. in Krakow to maximize sales of heat to users of its service but rather to sell such quantities as required by users given the weather conditions. Apart from its primary licensed activity, the scope of the Company's services also includes:

- overhauls and renovations of heat networks and equipment,
- management and participation in implementation of environmental and energy-saving investments,
- manufacture of compact heat distribution units for central heating systems, domestic hot water, ventilation and air conditioning.

It is worth mentioning that **MPEC S.A. is the owner of Przedsiębiorstwo Oszczędzania Energii ESCO Spółka z o.o. [ESCO Energy Saving Enterprise Limited Liability Company]**, whose primary objects of activity include performance and financing of projects involving modernization of thermal systems, which should lead to reduction of energy costs. Operations of that company, which are carried out under "ESCO" scheme, facilitate cost savings to be used for repayment of funds invested in modernization.

BASIC CORPORATE INFORMATION:

- ◆ FULL NAME OF THE ENTERPRISE – Miejskie Przedsiębiorstwo Energetyki Ciepłej Spółka Akcyjna w Krakowie [The Municipal Heat Engineering Joint Stock Company in Krakow]
- ◆ ADDRESS – al. Jana Pawła II 188 Kraków, postcode: 30 - 969,
- ◆ MANAGEMENT BOARD MEMBERS / EXECUTIVES:
Zdzisława Głód - President of the Management Board - CEO
 Marek Mazurek - Member of the Management Board - Director of Operations
 Janusz Miechowicz - Member of the Management Board - Economic Director
 Witold Warzecha - Member of the Management Board - Development Director
- ◆ TELEPHONE/FAX -
- ◆ Telephone: +48 12 297-52-99
- ◆ Fax: +48 12 644-55-10

www.mpec.krakow.pl

Contact person responsible for communications concerning Global District Energy Climate Awards - Janusz Miechowicz

- ◆ Telephone: +48 12 646-55-93
- ◆ Fax: +48 12 644-55-10
- ◆ E-MAIL – j.miechowicz@mpec.krakow.pl

2. The potential of MPEC S.A. of Krakow - key projects leading to technical and technological development, executed with the use of third party funds

Transformation of Poland's social and economic system in early 1990s has strongly influenced the functioning of MPEC S.A. and its relationships with its market environment. With increasing opportunities for application of advanced technologies, new criteria have been developed for assessment of the Company's performance. The heat market was growing more and more competitive, with the customer's needs continuously increasing. The level of social awareness of environmental protection issues was also becoming higher. Therefore, MPEC S.A. decided to incorporate the following in its main strategic goals: improvement of operating parameters of its networks and minimizing emissions of pollutants through liquidation of inefficient heat sources.

In order to ensure successful achievement of both the above goals, the company has been engaged in continuous modernization of the heat distribution system since the beginning of the 1990s. Both the extensive scope of completed projects and successful achievement of outstanding results was only possible with engagement of third party funds. Considering the exceptional character of the City of Krakow, and with regard to MPEC S.A.'s trustworthiness, numerous Polish and foreign institutions have decided to provide financial support to programs targeted at achievement of the above specified goals.

Below is a description of major projects completed or scheduled for implementation in cooperation with third party institutions:

World Bank

In 1987, negotiations began between representatives of the World Bank and the Government of Poland concerning opening of a line of credit for the heat sector in Poland. MPEC S.A. became one of the borrowers.

The entire modernization process was divided into the Short-Term Reconstruction Programme (years: 1992-1996) and the Long-Term Reconstruction Programme (years: 1997-2010). The following tasks were determined as priorities of the Short-Term Reconstruction Programme:

- elimination of water losses in the network through replacement of unreliable and obsolete gland and stuffing-box joints with modern bellows expansion joints,
- elimination of water losses through replacement of leaking dampers and valves with ball valves and flaps,
- elimination of water and heat losses through replacement of old (even 40-year) pipes with modern preinsulated piping systems with alarm installations for detecting possible leaks,
- reduction of corporate losses arising from operation of coal- and coke/coal-fired boiler stations through connecting them to the heat network or conversion to gas or oil,
- limitation of losses related to operation of ca. 2000 direct heat transfer units through replacement with modern indirect compact units with complete automation and controls.

The cost of the entire Short-Term Reconstruction Programme was estimated as 52 million USD to be spent during the horizon of 1992-1996. On the basis of the prepared Master Plan, the World Bank granted a credit facility to MPEC S.A. in the amount of 25 million USD, corresponding to 48% of overall programme costs. The remaining part was covered with MPEC S.A.'s own funds

Credit Agreement between the World Bank and MPEC S.A. was signed in September 1991.

GEF

Many global organizations, including the GEF (Global Environmental Facility), have begun to finance environmental protection projects in Poland (typically in the form of grants). MPEC S.A. has benefited from these grants as well. In 1996, the company launched modernization works under GEF programme on the boiler station in the historical district of the city, supplying heat to

widely recognizable buildings on the City Square, such as the Cloth Hall (Sukiennice) and the Town Hall Tower (Wieża Ratuszowa).

It was the objective of the programme to develop systemic solutions in energy engineering, which would lead to a reduction of triatomic gases emissions to the atmosphere and thus to reduction of greenhouse effect development.

Under that project, MPEC S.A. has completed a significant investment task related to conversion of a coke-fired boiler station into state-of-the-art gas-fired boiler station with condensation boilers. The programme has contributed to partial elimination of low emissions in the historical center of Krakow. The task was co-financed with GEF funds (World Bank, the Government of Norway) so that to ensure internal rate of return on the project ranging around 25%. The value of GEF fund subsidy was estimated as approximately 63% of the overall amount of investment costs.

In 2001, GEF assigned subsequent portion of funds to execution of environmental projects. All activities within the range of the project were implemented under direction of Energoprojekt Katowice as a consultant elected by the World Bank, and supervised by Bank Ochrony Środowiska. Tenders were organized in accordance with World Bank procedures. The project was also partially financed with the Communal Fund for Environmental Protection and Water Management.

Polish-American Program for Clean Fossil Fuels and Energy Efficiency

During 1994-1999, MPEC S.A. participated in the Polish-American Program for Clean Fossil Fuels and Energy Efficiency and marked its presence in execution of several projects co-financed by the United States Federal Department of Energy. With the completed investments, inefficient coal-fired boiler rooms were liquidated, thus eliminating those heating systems which constituted environmental disturbance.

During that period, MPEC S.A. would take an active part in virtually all air protection programs implemented in Krakow. Two programs were completed within the scope of cooperation on the above mentioned issues, namely Honeywell and Shooshanian.

Honeywell

The purpose of this programme was to establish a heat distribution system within the heat enclave of "Balicka" boiler station, which would guarantee high quality of service to users, reliable heat supplies, reduced energy intake and reduced volumes of impurities emitted by the boiler station. The tasks undertaken in 1996 involved modernization of 18 heat distribution substations of the enclave, implementation of a quality and quantity control system for the boiler station, launching of SCADA system for network management and monitoring, and installation of meters on heat buyers' premises. The ultimate value of tasks completed in 1996 amounted to PLN 8,660,000. The amount of grant offered for the investments was PLN 3,980,000.

Shooshanian

Under this programme, MPEC S.A. in cooperation with Polinvest developed the conditions of connection of a largest possible number of boiler rooms to the municipal heat network. Implementation of this project was aimed at reducing low emissions, achieving energy efficiency results, and enhancing the buyer's influence on the quantity of heat consumed.

During 1995-2000, MPEC S.A. invested PLN 10,270,000 in closing 69 solid fuel-fired boiler stations (including 41 boiler rooms switched to powering from the municipal heat distribution network, 27 boiler rooms converted to gas-firing, and 1 boiler room converted to oil-firing). The amount of grant offered for the investments was PLN 8,300,000.

Communal Fund for Environmental Protection and Water Management

In April 1996, Management of the City of Krakow issued a decision as requested by MPEC S.A. on granting a subsidy from the Communal Fund for Environmental Protection and Water Management (GFOŚiGW) for liquidation of 2 coke- and coal-fired boiler rooms involving conversion into gas firing. The actual amount of grant was PLN 70,000.

In April 1998, Management of the City of Krakow issued another decision as requested by MPEC S.A. on granting a subsidy from the GFOŚiGW for liquidation of 17 solid fuel-fired boiler rooms. The amount of co-financing was nearly PLN 328,000.

Further assistance was given in 2002 when MPEC S.A. received a grant for liquidation of a large coal powder-fired boiler room. Finally, through Resolution of the Management of the City of Krakow, the aforementioned investment received co-financing with GFOŚiGW fund in the amount of PLN 591,000.

Ekofundusz

Within the scope of a programme of continued liquidation of "low emission in the City of Krakow", MPEC engaged in cooperation with the Ekofundusz fund. The outcome of this cooperation included a grant received in July 1997 in the amount of more than PLN 932,000 for liquidation of 11 coal- and coke-fired boiler rooms (6 boiler rooms were liquidated through connection to the municipal heat distribution network, 5 more boiler rooms were converted into a gas-fired solution).

In December 1998, MPEC S.A. received another grant from Ekofundusz, exceeding PLN 600,000 in value, for elimination of 51 coal-fired boiler rooms located in the city center.

National Fund for Environmental Protection and Water Management

In 2002, MPEC S.A. benefited from a loan from the National Fund for Environmental Protection and Water Management (NFOŚiGW) in the amount of PLN 874,000. The loan amount was assigned to liquidation of the "Balicka" boiler station.

Japanese Grant

MPEC S.A., in partnership with the World Bank, received a grant from the Japanese Government in 1999 in the amount of USD 190,450. These funds were allocated to conducting feasibility studies for ESCO-type activities and drafting of a Business Plan for these operations. The studies and the Business Plan were developed by American and Canadian consultants elected through tender, in accordance with World Bank procedures.

GEF 2000 Grant

In 2000, MPEC S.A. received a grant from GEF in the amount of USD 184,250. It was allocated to financing of analytic documents determining the rules of proceeding and financing projects implemented according to ESCO formula and financed with GEF grant. Studies were carried out by American consultants, with the participation of World Bank and Bank Gospodarstwa Krajowego - BGK (elected as administrator of funds from the grant).

World Bank (continued cooperation) - GEF 2005 Grant for investment projects

The World Bank gave a very positive opinion on current advancement of the heat distribution system modernization programme and its effects. Therefore, it proposed continued cooperation to MPEC S.A. in the following two areas:

- Modernization of the heat distribution system under the Long-Term Reconstruction Programme, covering the period until 2010,
- Expanding the scope of operations with ESCO formula, new on the Polish market.

Therefore, MPEC S.A. and the World Bank signed loan-related instruments in April 2002. The amount of loan was designed to modernization of the heat distribution system (ring interconnections, further automation of the system) - 7 million USD, and projects executed under the ESCO scheme - 8 million USD.

In November 2004, POE ESCO (company owned by MPEC S.A.) received part of the funds under GEF grant for energy-saving investments and technical assistance. Within the range of grant agreements, contracts were executed for thermal performance improvement designs for educational buildings in the Commune of Krakow and the Commune of Brzesko, for a total worth of more than 2,100,000 PLN.

In addition, within the part concerning technical assistance from GEF funds, BGK covered the costs of developing energy audits of buildings in Krakow and market research of ESCO-based service market.

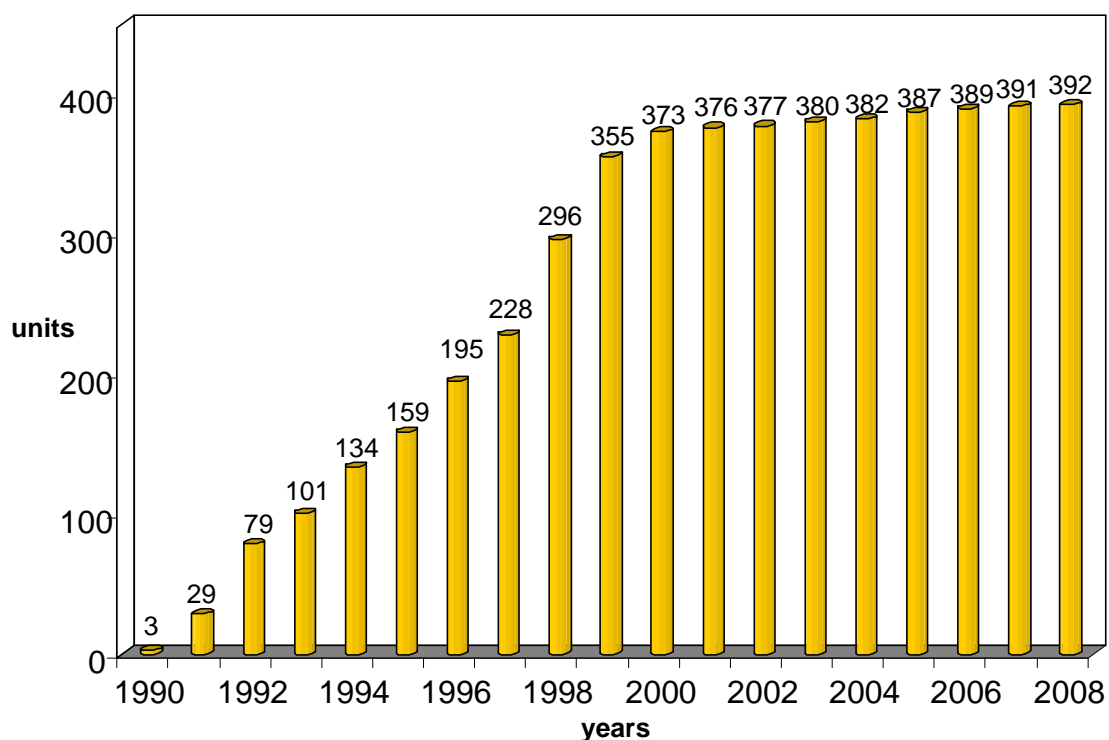
Approximately 1,330,000 USD were allocated during 2006-2007 to co-financing for beneficiaries under energy engineering contracts, and further 300,000 USD to technical support.

During the recent years, MPEC S.A. has invested a total of ca. 842 million PLN, including more than 281 million PLN of third party funds.

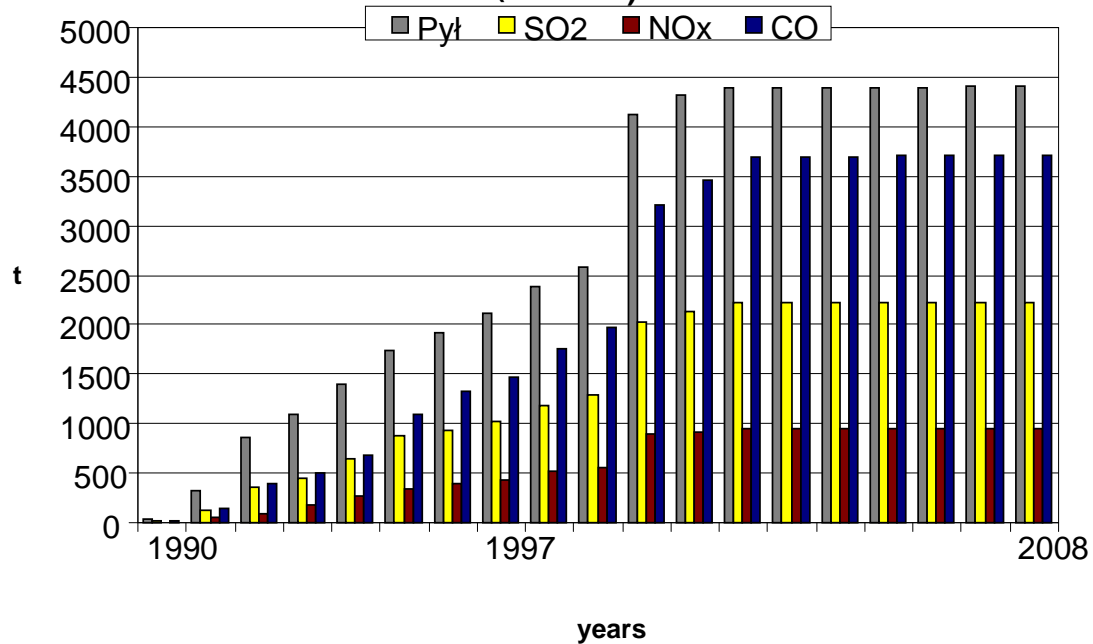
We may conclude on the basis of our experience that we have achieved the desired results and the amount of invested funds was entirely justified. The results of these projects have permanently and significantly improved the quality of life for the inhabitants of Krakow.

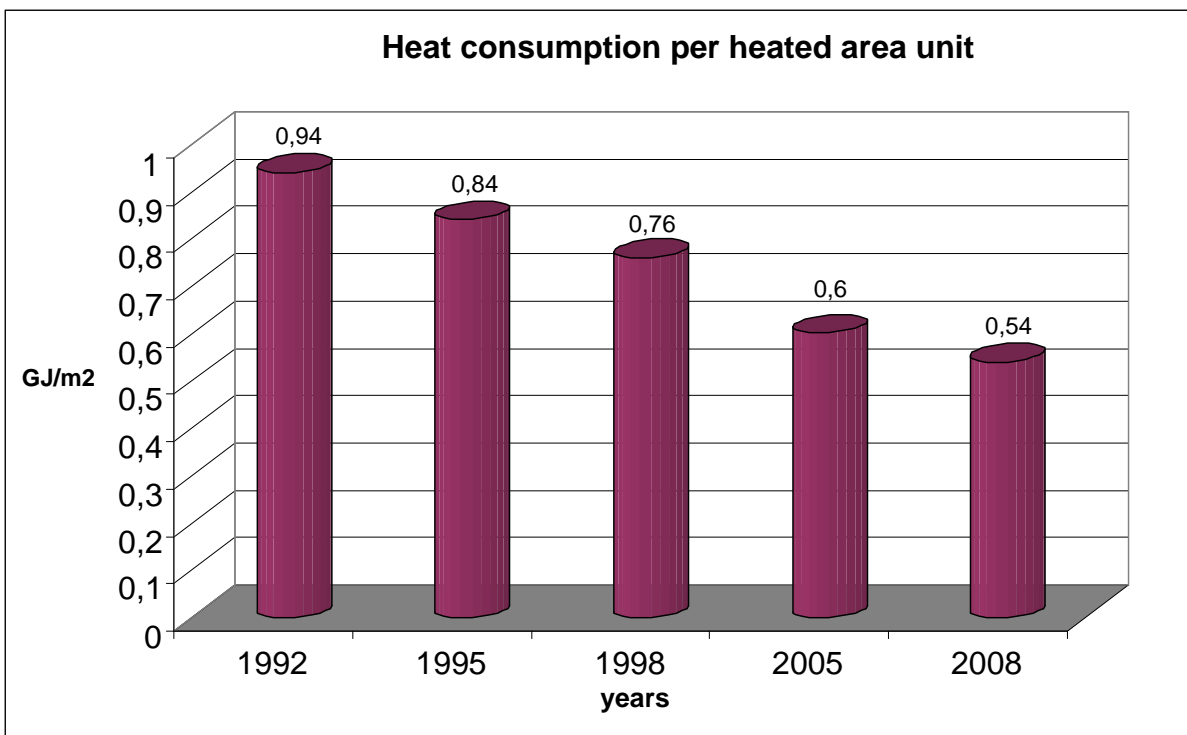
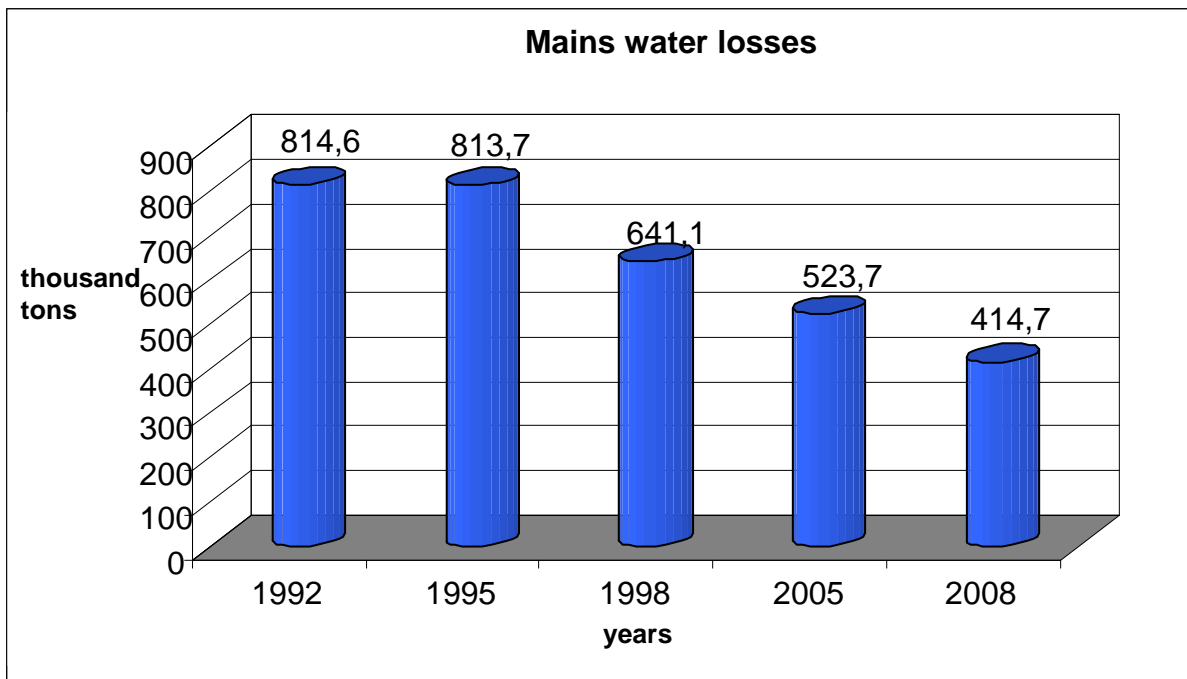
Due to the completed programs, over 90% of the inhabitants of Krakow are satisfied with the quality of service provided by MPEC S.A. A vast majority of investors would choose our heat distribution system as the most optimized for newly developed buildings. With improved efficiency of our Company's operations, the prices of heat supplied by MPEC S.A., unlike the prices of other utilities, have not exceeded the inflation level for many years. Other measurable effects of completed projects are presented on the following diagrams:

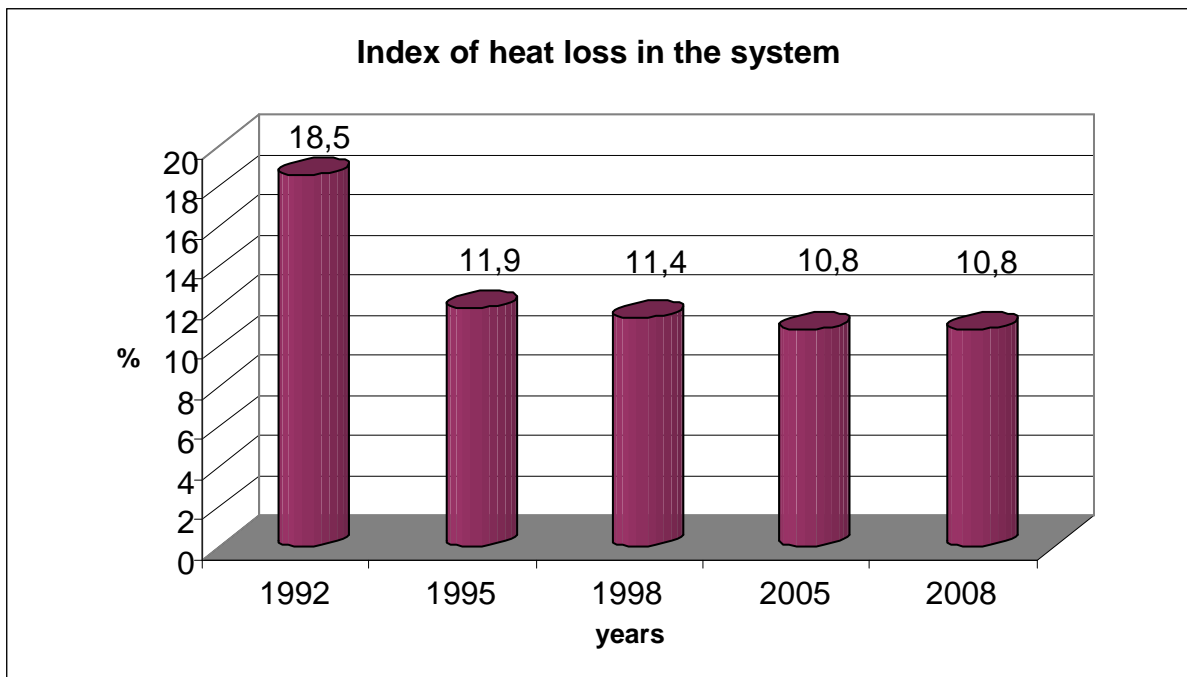
**Number of coal-fired boiler stations liquidated by MPEC S.A.
(accrued)**



**Reduction of emissions to the atmosphere
(accrued)**







3. Environmental protection and quality improvement activities implemented through application of innovative technologies - objectives, development plans.

The heat distribution system of Krakow was built in the 1960s. It applied the technologies available at that time, which were becoming less efficient, unreliable and non-conforming to customer expectations. Despite significant resources invested in the operation of the municipal heat distribution system, numerous failures would occur, adversely affecting the image of the Enterprise.

Consistent modernization of the heat distribution system, implemented simultaneously with the use of own funds and through foreign institutions, leads to regular improvement of operating efficiency. With the application of innovative technologies, MPEC S.A. has succeeded in achieving competitive advantage, particularly in the field of provided services and environmental activities.

The initiatives undertaken during the recent years have led to development of 310 km of heat distribution networks within a state-of-the-art preinsulated tubing system (including replacement of 120 km of old duct systems with preinsulated pipelines) and installation of more than 3650 exchanger-type heat transfer units with automatic weather controls. 112 of all 229 solid fuel-fired boiler stations existing as at 1990 are currently in operation, all of them equipped with environment-friendly gas- or fuel oil-fired boilers as alternative fuel. The remaining boiler rooms were liquidated and the buildings supplied thereby have been connected to the heat distribution network.

Heat transfer substations are being regularly replaced with exchanger-type compact units, fully automatic, with weather controls guaranteeing heat efficiency. They are also built as double-function units with the option of feeding the medium for domestic hot water purposes. A programme of liquidation of large district (local) group heat exchanger stations has been implemented in the form of modernization of heat distribution modules and supplying the buildings directly via high-performance networks, with installation of individual exchanger units with the option of extension with a domestic hot water distribution unit.

MPEC S.A. is the only heat operator in Poland with ISO 9001 certified quality management system for production of compact heat distribution substations. It was certified in 2000. Our substations, with modern automatic controls and security modules and heat meters, guarantee reasonable and safe exploitation of heating power. Fabrication of these units is based on state-of-the-art technologies and components by leading manufacturers.

The most significant project executed by MPEC S.A. in Krakow since 2006 is the project entitled "Heat Distribution System of the City of Krakow", co-financed by the European Union under the Cohesion Fund. With regard to Krakow's historical and cultural significance, and because the city center is listed by UNESCO, the project promotes international activities for regional environmental protection solutions. It facilitates reasonable utilization of coal as non-renewable energy source for production of heat in cogeneration with electricity. It will also contribute to higher efficiency and serve as a part of integrated air pollution prevention system in the area of Krakow. This will largely improve safety of heat supplies to the city.

The amount of Project expenses is estimated as 75,513,100 EUR. The maximum value of Cohesion Fund aid is EUR 54,369,432, i.e. 72 % of the project value. The remaining expenses will be covered with MPEC S.A.'s own funds.

Pursuant to the decision of the European Commission, the following items will be modernized within the scope of the Project:

- 99 km of high-performance heat distribution networks,
- 33 km of low-performance heat distribution networks,

- 535 heat transfer units.

The Project with auxiliary activities are expected to yield benefits in the form of reduced:

- heat consumption on transmission and in heat transfer substations by approx. 157,392 GJ per year,
- failure frequency of the heat distribution system by approx. 40 %,
- emissions of pollutants to the air by approx. 1676.3 Mg SO₂ per year,
- losses of demineralized water in heat distribution networks by approx. 10 %.

2006 was the year of commencement of execution of the Project entitled "Heat Distribution System of the City of Krakow", involving installation of 27 heat transfer units and replacement of ca. 7.7 km of high-performance

and low-performance networks with preinsulated piping systems.

The scope of implementation in 2007 resulted in successful installation of 175 heat transfer units and replacement of ca. 35.5 km of high-performance and low-performance networks with preinsulated piping systems.

Project deliverables in 2008 included installation of 206 heat transfer units and replacement of ca. 49.6 km of high-performance and low-performance networks with preinsulated piping systems.

With the continuation of Project execution in 2009, 127 heat transfer units were installed and ca. 41.5 km of high-performance and low-performance networks were replaced with preinsulated piping systems.

Completion of construction and assembly works is envisaged until the end of 2009, and the entire project will be finally settled until the end of 2010.

Realization of the goals related to the above mentioned project is monitored under the Environmental Management System established at MPEC S.A. according to the requirements of ISO 14001:2004.

With its established Environmental Policy, the Company is continuously demonstrating its capability of meeting legal requirements and other environmental requirements, as well as continuous improvement in the field of managing important environmental aspects. These include:

- water losses in heat transmission,
- emissions of pollutants involved in heat production (boiler rooms),
- heat losses on transfer (intermediate emissions and consumption of energy source materials),
- waste separation.

The process of achieving the established quality and environmental targets not only requires involvement in modernization of heat distribution facilities but also in other important areas of the Company's operations. Therefore, MPEC S.A. actively pursues development of telemetric, communications and IT systems.

At present, the Company is remotely monitoring the operations of 368 points of the heat distribution system of the city of Krakow and Skawina. Implementation of a radiocommunication-based system of remote reading of meters has also begun.

A Geographical Information System (GIS) has been very successfully implemented recently, arising from the need to secure quick and easy access to complete data of all resources related to the company's technical facilities. With the use of GIS, all functions can be executed in a single consolidated IT environment and the processed data and information is made available via a Web browser to competent technical and business services at MPEC S.A.

Modernization activities are also undertaken on the remote heat distribution monitoring and control system (TAC Vista) and the system of alarm circuits for newly developed preinsulated pipelines. 81 gas-fired boiler rooms and 163 central heating network control points are being monitored at

the moment. The range of TAC Vista remote monitoring covers 124 major facilities within the heat distribution system of Krakow.

Summing up, it can be concluded that MPEC's goals are successfully achieved through well-designed and consistently implemented activities, and the customers are given heat saving opportunities, as their buildings and facilities are supplied with optimized quantities of heat as per their actual requirements.

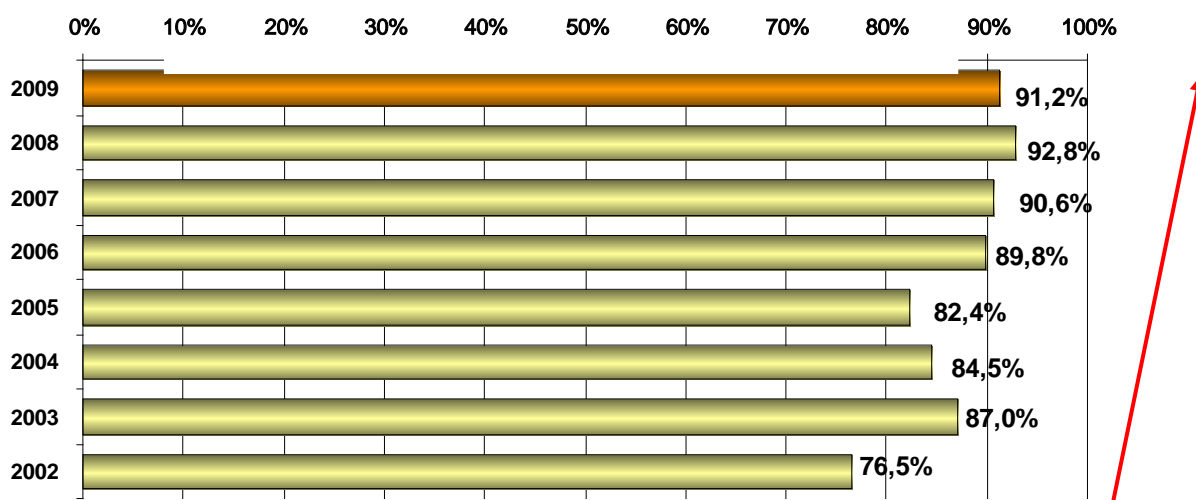
4. MPEC S.A.'s relationships with third parties

It is the mission of MPEC S.A. in Krakow to satisfy the customers' requirements through reliable assurance of thermal comfort as expected on their premises, and optimized hot water temperature control.

In the course of its operations on the heat market, MPEC S.A. of Krakow desires to build a corporate image of an undertaking capable of providing integrated and professional customer service while always caring for protection of the environment.

The Company skillfully combines its commercial interests with public service. Not only does the enterprise maximize its profits but it also strives to have a real impact on improving the living standard for the inhabitants of Krakow and neighboring locations. It should be emphasized that MPEC S.A.'s targets account for the customers' expectations while remaining consistent with city infrastructure development plans.

The key projects implemented by MPEC S.A. are created with the customers in mind, accounting for their safety and comfort. This is appreciated by the inhabitants of Krakow themselves, as they consequently express positive rating of the quality of service provided by MPEC S.A. Results of customer satisfaction polls clearly emphasize the quality of service provided by the company. More than 90% of surveyed users of the municipal heat distribution network are satisfied with the quality of service provided by MPEC S.A. Research was carried out upon order of Krakowski Holding Komunalny S.A..



MPEC S.A. of Krakow - service quality assessment – percentage of positive responses.

The strategy involved in the programme of elimination of gas stoves and enhancement of availability of domestic hot water from the city mains has been strongly appreciated by the users of provided services. This is particularly important as evidence of increasing awareness of risks involved in domestic use of gas stoves. Satisfaction with quality of hot water supplies from municipal network is on a record level. Implementation of this project is a perfect example of the company's cooperation with energy producers. Its importance for the local community is further emphasized by patronage of the President of Krakow.

In collaboration with the Municipality of Krakow, MPEC S.A. is implementing a programme for elimination of low emission sources (supplied with solid fuels). The tasks incorporated in the programme are targeted at attracting the customers who are interested in liquidation of coal-fired boiler rooms or

furnaces and connecting their facilities to the municipal heat mains. The outcome of these activities consists in elimination of environmentally harmful and inefficient heat sources, and assuring reliable heat supplies for customers.

MPEC S.A. entered into a partnering agreement with Elektrociepłownia Kraków S.A. and the Commune of Krakow. In this way, financial support is offered to non-government organizations helping disadvantaged people, as a cash donation to pay heat bills.

With its membership in "Ciepłownictwo Polskie" (Polish Heat Industry) Chamber, the Company is able to participate in various projects together with other heat operators for the purpose of developing new organizational, strategic and technological solutions. During annual conferences of heat operator companies, MPEC S.A. is able to present its achievements and share its experience with other heat system operators.

The company proudly presents all letters of recognition, particularly those sent by the Clients. It is important to note that they mostly refer to diligent performance of all services and supplies ordered by Clients. We have been recommended as reliable partners by the largest housing cooperatives in Krakow, among others.

Our engagement in city development and local community affairs is also material. MPEC S.A. supports the activities of numerous educational and cultural institutions, including such commonly recognized bodies as the Historical Museum, the Museum of History of Photography, and the Judaica Foundation. The Company's support enabled the creation of important artistic events, as cultural representations of Krakow, such as: Organ Recitals of Tyniec, Cracovia Danza Court Ballet - Court Dance Festival, or Shanties festival. Moreover, MPEC S.A. supports the local soccer, basketball, rugby and baseball teams. The company is seriously involved in charity projects, supporting hospitals, parishes and non-government organizations.

In 2004, the Company was awarded a title of Krakow Mercenary of Culture for its continuous and effective patronage over cultural affairs in Krakow and for reasonable and scheduled support of various cultural and artistic projects and events of special importance for Krakow (such as music or film events, exhibitions; including municipal cultural institutions).

The awards received by the Company are of particular importance, as they emphasize high quality of provided services and the company's professional attitude.

MPEC S.A. of Krakow has implemented a Quality Management System, which has been continuously improved since 2000. The above is confirmed by international ISO 9001:2000 certificate (currently ISO 9001:2008) issued by Lloyd's Register Quality Assurance Ltd, a globally recognized British certification authority. In the following year, the Company implemented an Environmental Management System according to ISO 14001:1996 (currently ISO 14001:2004), which has also been successfully certified. The Integrated Management System was complemented in 2007 with Health and Safety Management System certificate according to the requirements of PN-N-18001:2004 and OHSAS 18001:1999 specifications (currently OHSAS 18001:2007). The entire range of certificates held by MPEC S.A. of Krakow covers production, transfer and distribution of heat, as well as fabrication of compact heat transfer units. For the purpose of assuring high level of Customer's satisfaction, all processes implemented within the scope of the Integrated Management System are continuously improved and regularly reviewed by LRQA Ltd. auditors. The results of all prior visits have proven that MPEC S.A. of Krakow systematically and effectively improves its Integrated Management System and maintains its conformity with the requirements of reference standards and specifications.

The Company's activity has been recognized and appreciated with numerous awards, including but not limited to the following:

- 2000: certificate for the "Enterprise for Cleaner Production", in recognition of effective resource waste prevention and reduction activities. The certificate was issued by the Technique and Technology Agency, Federation of Scientific and Technical Associations, and the Polish Center for Testing and Certification.

- 2004: "Pantheon of Polish Ecology". This award is sponsored by the Minister of the Environment and the President of the Polish Chamber of Testing and Certification. The award is given in recognition of those Polish companies that have developed and implemented an Environmental Management System in accordance with ISO 14001 requirements and that stand out with their special pro-environmental incentives.
- In 2007, during POLEKO 2007 International Ecology Fair in Poznań: awarded as ECO-LEADER of the Cohesion Fund in the category of projects approved during 2004-2006. This title was awarded for the first time. The Company was awarded for effective preparation and implementation of an investment project co-financed with Cohesion Fund sources.
- 2008: **Quality Award of the Małopolska Region** – in the 10th Edition of the Competition organized by the Management of Małopolskie Province and the Krakow Chamber of Industry and Commerce. The competition was targeted at those enterprises operating in the territory of Małopolskie province which have implemented integrated quality management systems, TQM principles, and which implement the principles of Corporate Social Responsibility. It is the objective of that competition to promote quality-based management philosophy, continuous improvement concepts, to support achievements and to present successful business and quality leaders.
- 2008: Fair Play Enterprise - title and certificate of the 11th Edition of a programme organized by the Polish Chamber of Commerce. Companies applying for the certificate were required to prove that they are guided in their activities by the principles of fairness, accountability and loyalty. They are able to satisfy their customers, they naturally accept the idea of sharing their achievements with others, and they perfectly comply with their obligations towards their vendors and the State Treasury.
- 2009: Krakowski Dukát [Ducat of Krakow] - **Ms. Zdzisława Głód, President of the Management Board of Miejskie Przedsiębiorstwo Energetyki Ciepłej S.A. of Krakow, was awarded in the category of "Company Manager"**. The awards are organized by the Krakow Chamber of Industry and Commerce, and the sponsors of the ceremony are: the President of Krakow, the Governor of Małopolskie Province, and the Marshal of Małopolskie Province. The awards are given as recognition of individuals for their creativity, invention and capability of sharing their success with their business environment. The winners are awarded for creating comfortable conditions for development and promotion of entrepreneurial spirit, professional solidarity and high level of morals.

Special considerations should be given to the "Teraz Polska" award for the "systemic heat supply" service in the form of central heating and hot water supply. This prestigious award was received in 2009 on behalf of the Polish heat industry operators by Ciepłownictwo Polskie Chamber. MPEC S.A. considers itself particularly recognized with this award for its achievements and innovative work, as the leader of heat distribution in Poland and the participant of related projects.

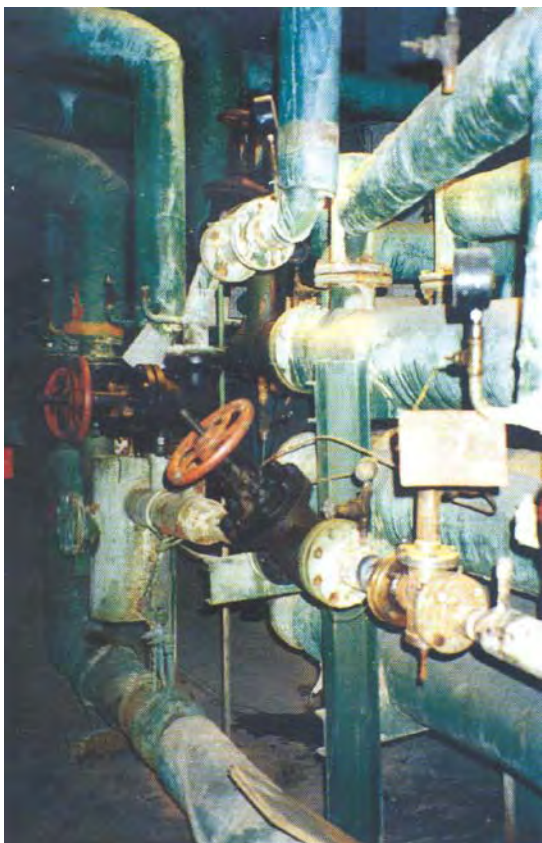
MPEC S.A. of Krakow, aware of its community role and its accountability towards its customers, trading partners, shareholders and employees, has implemented a Code of Conduct. The Company has agreed to pursue clear and transparent rules of procedure, which constitute the framework of the Company's business activity and social activities of the entire organization. The conduct of company representatives and of all employees is based on the principles of personal accountability, honesty, loyalty and respect to other people and to the natural environment.

MPEC employees understand success as growth of corporate value and, most of all, achievement of high level of customer satisfaction with the provided services.

5. Photographic presentation of key projects executed by MPEC S.A.



Old and new heating pipelines



Old and new compact heat exchanger



Compact heat exchanger produced by MPEC SA.. – presentation on the Square Market



Pumping station Wola Duchacka in Kraków



Heating devices