



LUBELSKI WĘGIEL
„BOGDANKA”
SPÓŁKA AKCYJNA



THE LUBELSKI WĘGIEL BOGDANKA GROUP

CONSOLIDATED REPORT ON PAYMENTS TO PUBLIC ADMINISTRATION

for the financial year from 1 January 2016 to 31 December 2016

BOGDANKA, MARCH 2017



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1. COMPOSITION OF THE GROUP AND THE OBJECT OF THE GROUP'S BUSINESS

Lubelski Węgiel Bogdanka S.A. Group

The Lubelski Węgiel Bogdanka Group (hereinafter referred to as the "Group") is composed of the following companies:

Parent - Lubelski Węgiel Bogdanka S.A., with registered office in Bogdanka, 21-013 Puchaczów.

Lubelski Węgiel Bogdanka S.A. is a joint stock company, operating under the laws of Poland. The Company was created as a result of the restructuring of the state enterprise Kopalnia Węgla Kamiennego Bogdanka with registered office in Bogdanka, under the Act on the Privatisation of State Enterprises of 13 July 1990.

On 26 March 2001, Lubelski Węgiel Bogdanka Spółka Akcyjna was registered in the Register of Entrepreneurs of the National Court Register, under KRS No. 0000004549. At present the register is maintained by the District Court Lublin-Wschód in Lublin, with the seat in Świdnik, VI Commercial Division of the National Court Register.

The shares of Lubelski Węgiel Bogdanka S.A. are listed on the Warsaw Stock Exchange.

The Company's core business activities, pursuant to the Polish Classification of Activity (PKD 0510Z), are mining and agglomeration of hard coal.

The subsidiary - Łęczyńska Energetyka Sp. z o.o., with registered office in Bogdanka, 21-013, Puchaczów.

As at 31 December 2016, the Parent held 88.70% of shares in the capital of the subsidiary, Łęczyńska Energetyka Sp. z o.o.

Łęczyńska Energetyka Sp. z o.o. provides services to mines involving supplying heat energy, finishing the central air conditioning system, and conducts water/wastewater management. In addition, the Company supplies heat energy to third parties like housing estates and other facilities in Łęczna. The company also conducts activities involving the construction and refurbishment of heat-generating, water supply and sewage disposal installations.

The subsidiary - EkoTRANS Bogdanka Sp. z o.o., with registered office in Bogdanka, 21-013 Puchaczów.

As at 31 December 2016, the Parent held 100.00% of shares in the capital of the subsidiary, EkoTRANS Bogdanka Sp. z o.o.

EkoTRANS Bogdanka Sp. z o.o. provides services to the mine with respect to recovery of spoil arising during coal output cleaning and washing.

The subsidiary - RG Bogdanka Sp. z o.o., with registered office in Bogdanka, 21-013, Puchaczów.

As at 31 December 2016, the Parent held 100.00% of share in capital of its subsidiary RG Bogdanka Sp. z o.o.

RG Bogdanka Sp. z o.o. provides services to the mine mainly with respect to the works in the mine and reconstruction works.

The subsidiary - MR Bogdanka Sp. z o.o., with registered office in Bogdanka, 21-013 Puchaczów.

As at 31 December 2016, the Parent held 100.00% of share in the capital of the subsidiary, MR Bogdanka Sp. z o.o.

MR Bogdanka Sp. z o.o. provides services to the mine with respect to renovation, repair and construction services, works in underground machinery departments, regeneration and production of steel constructions.



2. BASIS FOR PREPARING THE CONSOLIDATED REPORT ON PAYMENTS TO PUBLIC ADMINISTRATION

This report on payments to public administration has been prepared on the basis of the provisions introduced by Chapter 6a of the Accounting Act of 29 September 1994 ("Act") (consolidated text, Dz. U. [*Journal of Laws*] of 2016, item 1047, as amended).

Under these provisions, from 2016 onwards, entities operating in the extractive industry or engaged in the logging of primary forests shall, provided that they meet the criteria specified in the Act, prepare a consolidated report on payments to public administration as at the balance-sheet date, together with the annual consolidated financial statements. The Act defines an entity operating in the extractive industry as an entity engaged in activities that involve the exploration, prospecting, discovering, exploitation and extraction of minerals, oil, natural gas or other raw materials from the deposits, as included in the Polish Classification of Business Activities under section B, divisions 05 – 08.

Moreover, the Act also requires that the consolidated report on payments to public administration be prepared in the case of entities engaged in business activities included in the divisions listed in Article 6a of the Act which are parent companies specified in Article 55.1. The consolidated report on payments to public administration shall cover the details of a parent company and its subsidiaries which operate in the extractive industry or are engaged in the logging of primary forests, provided that they meet the criteria specified in the Act.

In the case of the Lubelski Węgiel Bogdanka Group, the Parent is the only entity which operates in the extractive industry and is engaged in the activities included in the divisions listed in Chapter 6a of the Act, which are covered by the reporting requirement.

Neither the Parent nor the remaining companies of the Lubelski Węgiel Bogdanka Group are engaged in business activities that involve the logging of primary forests referred to in Article 63e.2 and in section A, division 02, group 02.2 of the Polish Classification of Business Activities in the areas of primary forests.

Therefore, all the amounts disclosed in this consolidated report on payments to public administration relate exclusively to extractive activities conducted by the Parent, i.e. Lubelski Węgiel Bogdanka S.A.

The Parent conducts its extractive activities on the basis of mining licences issued by the Minister of Environment.

3. RULES GOVERNING THE PREPARATION OF THE CONSOLIDATED REPORT ON PAYMENTS TO PUBLIC ADMINISTRATION

In accordance with Article 63e.6 of the Act, a payment means an amount paid, in cash or in kind, in connection with the activities specified in Article 63e.1 or 63e.2 on account of:

- production entitlement;
- taxes levied on income, production or profits of companies, excluding taxes on consumption (such as the goods and services tax), personal income tax or sales tax;
- royalties;
- dividends;
- concession fees and bonuses for discovery and production;
- licence fees, tenancy fees, entry fees and other considerations for licences and/or concessions;



- payments for infrastructure improvements.

The Group has included the following titles in this consolidated report on payments to public administration:

Payment title defined in Article 63e of the Accounting Act	Titles of taxes and payments which the Group included in a given payment title specified in the Accounting Act
Taxes levied on income, production or profits of companies, excluding taxes on consumption (such as the goods and services tax), personal income tax or sales tax	Corporate income tax
Concession fees and bonus for discovery and production	Fees on account of mining rights
Licence fees, tenancy fees, entry fees and other considerations for licences and/or concessions	Maintenance Fee Fees on account of perpetual usufruct of land Fee for the paid use of geological information

In 2016 the Group did not make any payments on account of the remaining titles specified in Article 63e.6 of the Act.

4. PAYMENTS TO PUBLIC ADMINISTRATION MADE IN 2016

All payments resulting from the extractive activities were made to the national public administration.

4.1. Payments to public administration in 2016 by entity

Below is a list of all payments made in 2016 for the benefit of public administration broken down into payments made for the benefit of the relevant public administration levels:

ITEM	31 Dec. 2016
Government administration:	38,430
Lublin Tax Office	25,874
Ministry of the Environment	5,762
National Fund for Environmental Protection and Water Management	6,746
Customs Chamber	48
Local government administration:	10,325
Municipal/Commune Offices	10,017
Powiat Starosty [county authorities]	308
TOTAL	48,755

4.2. Payments to public administration in 2016 by subject

Below is a list of all payments made in 2016 for the benefit of the relevant levels of public administration broken down into titles indicated in Article 63e.6 of the Act:



ITEM	31 Dec. 2016
Government administration:	38,430
Taxes levied on income, production or profits of companies (excluding the goods and services tax, personal income tax or sales tax)	25,922
Concession fee and bonus for discovery and production	283
Licence fee, tenancy fee, entry fee and other considerations for licences and/or concessions	12,225
Local government administration:	10,325
Concession fee and bonus for discovery and production	102
Licence fee, tenancy fee, entry fee and other considerations for licences and/or concessions	10,223
TOTAL	48,755

The amounts of payments disclosed in this consolidated report are the amounts of wire transfers made in 2016 for the benefit of national public administration on account of individual titles less refunds (if any).

In 2016 the Group did not make any in-kind payments.

Pursuant to Article 63f.2 of the Act, the following information has been disclosed in this consolidated report on payments to public administration:

- the total amount of payments made for the benefit of national public administration broken down into payments made for the benefit of the relevant public administration levels;
- the total amount of payments broken down into the titles indicated in Article 63e.6 made for the benefit of the relevant level of national public administration.

In 2016 the Group did not make any payments assigned to projects for the benefit of national public administration.



SIGNATURES OF ALL MANAGEMENT BOARD MEMBERS

Krzysztof Szlaga	President of the Management Board
Stanisław Misterek	Vice-President of the Management Board, Economic and Financial Affairs
Sławomir Karlikowski	Vice-President of the Management Board, Production – Head of Mining Supervision in Mining Facility
Adam Partyka	Vice-President of the Management Board, Employee and Social Affairs
Marcin Kapkowski	Vice-President of the Management Board, Procurement and Investments

Bogdanka, 29 March 2017