



THE LUBELSKI WĘGIEL BOGDANKA GROUP

**CONSOLIDATED REPORT ON PAYMENTS TO PUBLIC
ADMINISTRATION**

**FOR THE FINANCIAL YEAR FROM 1 JANUARY 2018 TO 31
DECEMBER 2018**

BOGDANKA, 21 MARCH 2019

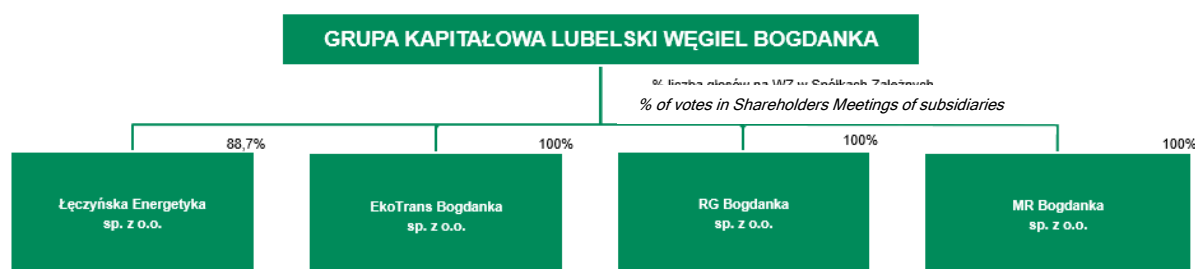


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1. COMPOSITION OF THE GROUP AND THE OBJECT OF THE GROUP'S BUSINESS

The Lubelski Węgiel Bogdanka 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 LW Bogdanka S.A. are listed on the Warsaw Stock Exchange in Warsaw.

The Company's core business activity, pursuant to the Polish Classification of Activity (PKD 0510Z), is hard coal mining.

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

As at 31 December 2018, 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 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 2018, 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 transport, recovery and reuse 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 2018, 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 mining works, auxiliary works and run-of-mine services.

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

As at 31 December 2018, 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 2018.395, 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 Chapter 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 2, group 2.2 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, 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 Lubelski Węgiel Bogdanka S.A. and its subsidiaries created a Tax Group operating under the name Lubelski Węgiel Bogdanka Tax Group with registered office in Bogdanka (hereinafter referred to as "LWB Tax Group"), represented by Lubelski Węgiel Bogdanka S.A. The Tax Group was composed of the Parent and its subsidiaries - EKOTRANS Bogdanka Sp. z o.o., MR Bogdanka Sp. z o.o., RG Bogdanka Sp. z o.o. The LWB Tax Group became a CIT payer on 1 January 2017. By way of its decision dated 31 January 2019 the Head of the Lublin Tax Office declared the expiration, as of 31 March 2018, of the decision on registering the agreement on creating a tax group.

The taxation in the tax group covered income determined on the basis of the group's total income calculated as a surplus of total incomes of all companies making the group over their total losses. Therefore, starting from 2017 until 31 March 2018, the corporate income tax was remitted by the subsidiaries to the Parent, and not directly to the tax authority. The Parent remitted the income tax calculated on the total income of the LWB Tax Group to the tax authority.

Bearing in mind abovementioned circumstances and considering that the corporate income tax was calculated at a level of the whole Tax Group for the period from 1 January to 31 March 2018, the above tax has been disclosed in this consolidated report on payments to public administration in the amounts remitted to the tax authority in the amount calculated on the income of the whole Tax Group until 31 March 2018, and of the Parent (for the operations in the extractive industry) - for the period from 1 April to 31 December 2018.

4. PAYMENTS TO PUBLIC ADMINISTRATION MADE IN 2018

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

i. Payments to public administration, by entity

Below is a list of all payments made in 2018 and 2017 for the benefit of public administration broken down into payments made for the benefit of the relevant public administration levels:

	for the financial year from 1 January to 31 December	
	2018	2017
Government administration:	16,558	40,837
Lublin Tax Office*	5,228	28,889
Ministry of the Environment in Warsaw	4,312	4,730



National Fund for Environmental Protection and Water Management	6,763	6,978
Nowy Targ Tax Office	255	240
Local government administration:	26,615	12,696
Municipal/Commune Offices	26,208	12,268
Powiat Starosty [county authorities]	407	428
TOTAL	43,173	53,533

* as described in item 3.1., given that the Tax Group agreement has been signed, the Parent pays CIT to the relevant tax authority in the amount calculated on the income of the whole LWB Tax Group. Income tax paid in 2018 only for the Parent of LWB S.A. amounted to PLN 4,863,000 (in 2017 the figure was PLN 27,842,000).

4.2. Payments to public administration, by subject

Below is a list of all payments made in 2018 and 2017 for the benefit of the relevant levels of public administration broken down into titles indicated in Article 63e.6 of the Act:

	for the financial year from 1 January to 31 December	
	2018	2017
Government administration:	16,558	40,837
Taxes levied on income, production or profits of companies (excluding the goods and services tax, personal income tax or sales tax)*	5,483	29,129
Concession fee and bonus for discovery and production	401	379
Licence fee, tenancy fee, entry fee and other considerations for licences and/or concessions	10,674	11,329
Local government administration:	26,615	12,696
Licence fee, tenancy fee, entry fee and other considerations for licences and/or concessions	26,615	12,696
TOTAL	43,173	53,533

* as described in item 3.1., given that the Tax Group agreement has been signed, the Parent pays CIT to the relevant tax authority in the amount calculated on the income of the whole LWB Tax Group. Income tax paid in 2018 only for the Parent of LWB S.A. amounted to PLN 4,863,000 (in 2017 the figure was PLN 27,842,000).

4.3. Information disclosed in the report

The amounts of payments disclosed in this consolidated report are the amounts of wire transfers made in 2018 for the benefit of national public administration on account of individual titles less refunds (if any).

In 2018 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 2018 the Group did not make any payments assigned to projects for the benefit of national public administration.





SIGNATURES OF ALL MANAGEMENT BOARD MEMBERS

Artur Wasil President of the Management Board

Artur Wasilewski Vice-President of the Management Board,
Economic and Financial Affairs

Dariusz Dumkiewicz Vice-President of the Management Board, Development

Adam Partyka Vice-President of the Management Board
Employee and Social Affairs

Bogdanka, 20 March 2019