

# TERMS AND CONDITIONS OF THE MANAGEMENT OPTIONS SCHEME AT LUBELSKI WĘGIEL BOGDANKA S.A. WITH REGISTERED OFFICE IN BOGDANKA IN 2013-2017

## 1. GENERAL PROVISIONS

- 1.1. These Terms and Conditions of the Management Options Scheme at Lubelski Węgiel Bogdanka S.A. with registered office in Bogdanka (“**Company**”) in 2013-2017 (“**Scheme**”) define the specific terms and conditions of implementation and execution of the Scheme, and are established by the Supervisory Board under Article 2 of Resolution No. 26 of the Annual General Shareholders Meeting of Lubelski Węgiel Bogdanka Spółka Akcyjna of 4 July 2013 on the issue of series A subscription warrants with the exclusion of a pre-emptive right, conditional increase in the Company’s share capital with the exclusion of a pre-emptive right, consent to carry out the Management Options Scheme at the Company in 2013-2017 (“**Resolution**”).
- 1.2. Implementation of the Scheme is designed to serve as an additional incentive for the Company’s key employees to pursue the Company’s strategy in order to ensure steady growth of the Company’s market value and, therefore, of the value of the shares held by all of the Company’s shareholders.
- 1.3. The Scheme becomes effective upon its adoption by the Supervisory Board and expires on 27 June 2023.
- 1.4. Options allocated under the Scheme will entitle the participants to acquire series A subscription warrants issued by the Company in accordance with the Resolution. Holders of series A subscription warrants will be entitled to acquire ordinary bearer series D shares issued as part of conditional increase in the Company’s share capital in accordance with the Resolution.

## 2. DEFINITIONS

- 2.1 In these Terms and Conditions, the following terms shall have the meaning as defined below:
  - 2.1.1 “**Shares**” – ordinary bearer series D shares with the nominal value of PLN 5 (five) each, issued under the Resolution;
  - 2.1.2 “**Loyalty Shares**” – as defined in Par. **Błąd! Nie można odnaleźć źródła odwołania.** hereof;
  - 2.1.3 “**Bonus**” – as defined in Par. **Błąd! Nie można odnaleźć źródła odwołania.** hereof;
  - 2.1.4 “**Strike Price of Options**” – as defined in Par. **Błąd! Nie można odnaleźć źródła odwołania.** hereof;
  - 2.1.5 “**Member of the Management Board**” – member of the management board of the Company other than the President of the Management Board indicated on the Eligible Persons List to be adopted by way of a resolution of the Supervisory Board;
  - 2.1.6 “**Option Strike Date**” – the day when the Company receives a Statement on Exercise of Option Rights from an Eligible Person (or a later date indicated by the Eligible Person in that Statement);

- 2.1.7 **“Date of Exercise of Rights under Non-Loyalty Portfolio Warrants”** – as defined in Par. **Błąd! Nie można odnaleźć źródła odwołania.** hereof;
- 2.1.8 **“Date of Exercise of Rights under Loyalty Portfolio Warrants”** – as defined in Par. **Błąd! Nie można odnaleźć źródła odwołania.** hereof;
- 2.1.9 **“Maturity Date”** – the date referred to in Par. 7.2 hereof, which is the earliest date when Options may be struck;
- 2.1.10 **“Stockbroker”** – as defined in Par. **Błąd! Nie można odnaleźć źródła odwołania.** hereof;
- 2.1.11 **“EPS”** – primary earnings per share, defined as the ratio of the profit going to the shareholders of the Company to the weighted average number of ordinary shares per year;
- 2.1.12 **“WSE”** – Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange) with registered office in Warsaw;
- 2.1.13 **“UCCPr”** – unit cost of coal production in real terms, defined as the quotient of total cost of goods sold, selling costs, administrative costs and adjustments for the value of coal obtained from workings, minus total cost of coal transportation to customers and other re-invoiced costs, and adjusted for changes in inventories and the amount of net commercial coal produced, published in the annual report of the Management Board of the Company; in the conversion of the nominal value of UCCPr into real value, the CPI (Consumer Price Index) published by the Polish Central Statistics Office will be used as a deflator;
- 2.1.14 **“Allocation Letter”** – as defined in Par. 5.2 hereof;
- 2.1.15 **“Eligible Persons List”** – a list of persons eligible to participate in the Scheme indicated by the Management Board and approved by the Supervisory Board, adopted by a resolution of the Supervisory Board. The Eligible Persons List may be changed from time to time; as regards the President of the Management Board and Members of the Management Board, the above list shall be changed by the Supervisory Board, and as regards Employees – by the Supervisory Board at the request of the Management Board, subject to the provisions of Par. 5.8.2;
- 2.1.16 **“Option Lock-Up Period”** – as defined in Par. 7.1 hereof;
- 2.1.17 **“Unlocked Period”** – as defined in Par. 7.2 hereof;
- 2.1.18 **“Lock-Up Period”** – the period referred to in Article 159.2 of the Polish Act on Trading in Financial Instruments of 29 July 2005 (Dz. U. [Journal of Laws] of 2010, No. 211, item 1384, as amended);
- 2.1.19 **“Options”** – up to 1,360,540 options entitling Eligible Persons to acquire Warrants free of charge, divided into portions over a period of 5 years;
- 2.1.20 **“Eligible Person”, “Eligible Persons”** – the President of the Management Board, a Member of the Management Board, and managerial personnel of key importance to the development of the Company and its subsidiaries who are eligible to receive Options on the conditions described in these Terms and Conditions;

- 2.1.21 **“Final Option Strike Date”** – the date when a period of 3 years elapses from the date of adoption of the resolution referred to in Par. 6.8 hereof by the Supervisory Board;
- 2.1.22 **“Statement on Exercise of Option Rights”** – as defined in Par. **Błąd! Nie można odnaleźć źródła odwołania.** hereof;
- 2.1.23 **“Employee”** – a member of key managerial personnel performing work or providing services of a similar nature to the Company or the Company’s subsidiary, other than the President of the Management Board or a Member of the Management Board;
- 2.1.24 **“President of the Management Board”** – President of the Management Board of the Company indicated on the Eligible Persons List;
- 2.1.25 **“Scheme”** – as defined in Par. 1.1 hereof;
- 2.1.26 **“Supervisory Board”** – the supervisory board of the Company;
- 2.1.27 **“Terms and Conditions”** – these Terms and Conditions of the Management Options Scheme at Lubelski Węgiel Bogdanka S.A. with registered office in Bogdanka in 2013-2017;
- 2.1.28 **“Company”** – as defined in Par. 1.1 hereof;
- 2.1.29 **“Flexible Tranche”** – as defined in Par. 5.8 hereof;
- 2.1.30 **“Fixed Tranche”** – as defined in Par. 5.6 hereof;
- 2.1.31 **“Resolution”** – as defined in Par. 1.1 hereof;
- 2.1.32 **“Option Allocation Resolution”** – resolution of the Supervisory Board on the allocation of Options to Eligible Persons, adopted in accordance with Article 2.8 of the Resolution;
- 2.1.33 **“Participation Agreement”** – as defined in Par. 5.9 hereof;
- 2.1.34 **“General Shareholders Meeting”** – general shareholders meeting of the Company;
- 2.1.35 **“Warrant”, “Warrants”** – registered series A subscription warrants issued under the Resolution and entitling to the acquisition of Shares;
- 2.1.36 **“Loyalty Portfolio Warrants”, “Loyalty Portfolio”** – as defined in Par. **Błąd! Nie można odnaleźć źródła odwołania.** hereof;
- 2.1.37 **“Non-Loyalty Portfolio Warrants”** – as defined in Par. **Błąd! Nie można odnaleźć źródła odwołania.** hereof;
- 2.1.38 **“Management Board”** – the management board of the Company;
- 2.1.39 **“Employment”, “Employs”** or similar phrase – performance of work or provision of services of a similar nature to the Company or the Company’s subsidiary.
- 2.2 In case of any doubt as to the interpretation of these Terms and Conditions, the Supervisory Board will construe it by way of a relevant resolution.

### **3. COMPANY'S BODIES RESPONSIBLE FOR SCHEME IMPLEMENTATION**

- 3.1 The Supervisory Board shall be responsible for the implementation and oversight of proper accomplishment of the Scheme.
- 3.2 To the extent provided for in the Resolution and these Terms and Conditions, the Supervisory Board shall, at its discretion, decide on participation in the Scheme, allocation of Options, criteria for the exercise of Options, and other matters relating to the Scheme.
- 3.3 The Management Board shall be responsible for supporting the Supervisory Board and for performing all actions that are not reserved for the Supervisory Board in order to properly accomplish the Scheme; in particular, the Management Board shall take care of the documentation relating to the Scheme.
- 3.4 Any questions that Eligible Persons or Employees may have about the Scheme shall be addressed to the Management Board.

### **4. ELIGIBILITY TO PARTICIPATE IN THE SCHEME**

- 4.1 Eligible Persons include the President of the Management Board, Members of the Management Board, and the Employees listed in the Eligible Persons List.
- 4.2 Options may be allocated only to the President of the Management Board, Members of the Management Board or Employees who have been Employed for at least 6 months.
- 4.3 Eligible Persons Employed on the date of adopting these Terms and Conditions shall be allocated Options in proportion to their period of Employment in the given financial year, subject to the provisions of Par. 5.7.
- 4.4 Eligible Persons Employed after the date of adoption of these Terms and Conditions shall be allocated Options in proportion to their period of Employment.

### **5. ALLOCATION OF OPTIONS**

- 5.1 The maximum number of Options that the Supervisory Board may allocate under this Scheme is 1,360,540 Options, divided into portions over a period of 5 years. The number of Options allocated to all Participants in each year of the Scheme shall not exceed 272,108 Options.
- 5.2 The Supervisory Board shall allocate Options under this Scheme by way of resolution. Eligible Persons shall be given letters documenting their allocation, as per the template attached hereto as **Appendix 1** (“**Allocation Letter**”). Allocation Letters shall be an integral part of Participation Agreements.
- 5.3 In case of conflict between the provisions of resolutions adopted by the Company's bodies, including these Terms and Conditions, the Resolution and the Option Allocation Resolution, on the one hand, and any of the Allocation Letters, on the other hand, provisions of Allocation Letters which do not conflict with the provisions of the above resolutions shall be binding. In that situation, the non-binding provisions of Allocation Letters shall be replaced by the relevant provisions of those resolutions.
- 5.4 Options shall be allocated by the Supervisory Board, and as regards the Employees – at the request of the Management Board.
- 5.5 If an Eligible Persons loses the right to exercise all or some of the allocated Options (in connection with the occurrence of any of the reasons specified in Par. **Błąd! Nie można**

**odnaleźć źródła odwołania.** hereof), the Supervisory Board may allocate such Options to other Eligible Persons.

- 5.6 On the date of adoption of these Terms and Conditions by the Supervisory Board, the Supervisory Board shall adopt the Option Allocation Resolution and, subject to the provisions of Par. 5.7 hereof, shall allocate no more than 1,102,032 Options, including 551,016 Options to the President of the Management Board and Members of the Management Board, and no more than 551,016 Options to the Employees, in accordance with the rules specified in Par. 5 (“**Fixed Tranche**”).
- 5.7 Members of the Management Board and the President of the Management Board shall be allocated Options from the Fixed Tranche in the quantity specified in the Option Allocation Resolution, while maintaining the following parity:
- 5.7.1 the President of the Management Board shall be allocated 183,672 Options;
- 5.7.2 each Member of the Management Board shall be allocated 122,448 Options.
- 5.8 Options in the total number of 258,508 divided into portions over a period of 5 years, but not more than 51,701 per year, may be allocated by the Supervisory Board to Eligible Persons in each year of the Scheme at its discretion (as regards Eligible Persons other than the President of the Management Board or Member of the Management Board – at the request of the Management Board) (“**Flexible Tranche**”), with the proviso that:
- 5.8.1 in no case may the President of the Management Board or Members of the Management Board be allocated more than a total of 129,254 Options over the period of 5 years, i.e. not more than 25,850 Options per year;
- 5.8.2 after the date of adoption of these Terms and Conditions by the Supervisory Board, Options shall be allocated only to new participants in the Scheme, i.e. persons who were not Eligible Persons on the aforementioned date;
- 5.8.3 the Supervisory Board may allocate Options from the Flexible Tranche for a given settlement period not later than on the date of the General Shareholders Meeting convened to approve the financial statements for that settlement period.
- 5.9 Each Eligible Person shall enter into a Scheme participation agreement, as per the template attached hereto as **Appendix 2**, and those agreements shall be signed by the Supervisory Board in the case of the President of the Management Board and Members of the Management Board, and by the Management Board, upon prior approval from the Supervisory Board, in the case of other Eligible Persons (“**Participation Agreement**”).

## **6. OPTION EXERCISE CRITERIA**

- 6.1 Exercise of the allocated Options shall depend on the satisfaction of certain business criteria consistent with the Company’s strategic plans and certain non-business criteria set out in these Terms and Conditions.
- 6.2 Exercise of the Options shall be conditional upon the following business criteria:
- 6.2.1 EPS – satisfaction of this criterion shall entitle to the exercise of 50% of the allocated Options; the value of this criterion in the successive years of the Scheme shall be established as a percentage of earnings per share in 2012 and shall be not less than the following:

<b>EPS</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Increase in relation to 2012	10%	38%	55%	65%	72%

6.2.2 UCCPr – satisfaction of this criterion shall entitle to the exercise of 50% of the allocated Options; the value of this criterion in the successive years of the Scheme shall be established as a percentage of unit cost of coal production in 2012 and shall be not less than the following:

<b>UCCPr</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Decrease in relation to 2012	4%	5%	9%	11%	13%

Each time when satisfaction of the criterion set out in Par. 6.2.2 is established, the CPI (Consumer Price Index) published by the Polish Central Statistical Office shall be taken into account.

6.3 Values of the criteria described in Par. 6.2 hereof in each year of the Scheme shall be established by a resolution of the Supervisory Board on the date of adopting these Terms and Conditions and shall not be lower than those indicated above. After the aforementioned date, the Supervisory Board may not change the above criteria without the consent of the General Shareholders Meeting.

6.4 Subject to the provisions of Par. 6.9 hereof, exercise of the Options shall be conditional upon the following non-business:

6.4.1 an Eligible Person is Employed at the Company (the Company's subsidiary) as at the end date of the settlement period with respect to which the Supervisory Board is to assess satisfaction of the criteria entitling to the exercise of Options, in accordance with the provisions of Par. 6.8 hereof; for the avoidance of doubt, if Employment ends due to termination of the relevant contract by the Company (the Company's subsidiary) for reasons other than those specified in Par. 14 hereof, this criterion shall be deemed satisfied with respect to the settlement period in which the Employment ended;

6.4.2 the financial statements for a given settlement period do not contain any material objections from the auditor, in particular objections regarding the values used in the calculation of the parameters referred to in Par. 6.2 hereof.

6.5 If any one or both of the criteria described in Par. 6.2 above entitling to the exercise of Options is not (are not) satisfied for a given settlement period, 50% of the Options for that period which cannot be exercised for such reasons will be added to the number of the Options that the Eligible Person will be entitled to exercise for the following settlement period, with the proviso that if the Option exercise criteria are not satisfied for any subsequent settlement period, the number of the Options added to the number of Options for subsequent settlement periods will, in each case, be reduced by a further 50%. The right to exercise the cumulative number of Options for previous settlement periods shall depend on satisfaction of the criteria set out in Par. 6.2 above with respect to such past periods, subject to the rules defined in these Terms and Conditions. For the purposes of the Scheme, a settlement period is the Company's financial year, with 2013 being the first settlement period.

6.6 As regards the criterion referred to in Par. 6.2.1 hereof, the right to exercise the Options will be available provided that in a given period the target is met above the level adopted for that period so that the realised excess, together with the result for: (i) a directly preceding period, (ii) subsequent immediately preceding periods, results in a value which ensures that the criterion is met for the previous periods. For the avoidance of doubt, if, for example, an

earnings target of PLN 10 per share was established for period T1 and the earnings realised amounted to PLN 9.50 per share, and an earnings target of PLN 15 per share was established for period T2 and the earnings realised amounted to PLN 15.60 per share, then, with a constant number of shares throughout the duration of the scheme, the target in period T1 was short by PLN 0.5 per share, while in period T2 the target was exceeded by PLN 0.6 per share. Thus, the amount of excess realised in period T2 ensures that the criterion for period T1 is satisfied.

- 6.7 As regards the criterion referred to in Par. 6.2.2 hereof, the right to exercise the Options may be effected provided that the difference between the excess realised for a given period (calculated by multiplying the excess in relation to the target set by the coal output in a given period) and the loss (calculated by multiplying the loss in relation to the target by the coal output in a given period) for the directly preceding period is either zero or positive. If the result of the above difference is positive, an Eligible Person will be able to exercise the Options for the next preceding period, provided that the difference between the above result and the loss for the analysed period is also either zero or positive (for the avoidance of doubt, if, for example, for period T1 the criterion was set at PLN 100 per tonne and PLN 103 per tonne was achieved with output of 10,000,000 tonnes, for period T2 the criterion was set at PLN 98 per tonne and PLN 99 per tonne was achieved with output of 12,000,000 tonnes, for period T3 the criterion was set at PLN 96 per tonne and PLN 93 per tonne was achieved with output of 15,000,000 tonnes, then the loss for period T1 amounts to:  $-3 \times 10,000,000 = \text{PLN } -30,000,000$ , the loss for period T2 amounts to:  $-1 \times 12,000,000 = \text{PLN } -12,000,000$ , and the excess for period T3 amounts to:  $3 \times 15,000,000 = \text{PLN } 45,000,000$ ). Options may be exercised for period T2 ( $45,000,000 - 12,000,000 = \text{PLN } 33,000,000$ ) and for period T1 ( $33,000,000 - 30,000,000 = 3,000,000$ ) in the quantities set out in Par. 6.5.
- 6.8 In each year of the Scheme, the Supervisory Board shall adopt a resolution confirming satisfaction of (or failure to satisfy) the conditions entitling to the exercise of Options at a meeting held to assess the Company's financial statements for the previous financial year. The contents of such a resolution shall be communicated by the Management Board to Eligible persons by way of written notification sent to the address of residence or e-mail address specified in the Participation Agreement.
- 6.9 In case of termination of Employment at the Company: (i) by an Eligible Person other than by mutual agreement of the parties or (ii) by the Company for reasons resulting in loss of Option rights, in accordance with Par. 14 hereof, the Eligible Person may exercise its Options subject to the rules defined in the Resolution and in these Terms and Conditions for a period from Option allocation until the end date of the last full settlement period in which the Eligible Person was Employed. In case of termination of Employment of an Eligible Person: (i) by the Company for reasons other than resulting in loss of Option rights, in accordance with Par. 14 hereof, or (ii) by mutual agreement of the parties, the Eligible Person shall be entitled to exercise such number of its Options as is proportional to the period from Option allocation until the date of termination of Employment. Should the Option exercise criteria specified in Par. 6.2 hereof be satisfied, but the criterion referred to in Par. 6.4.1 is not satisfied, the rights from allocated Options that cannot be exercised shall be put towards the Flexible Tranche upon termination of Employment of an Eligible Person, i.e. the Supervisory Board may add such Options to the Flexible Tranche.

## 7. EXERCISE OF OPTIONS

- 7.1 Options may not be exercised in the period from their allocation until the date when the Supervisory Board confirms satisfaction of the conditions entitling to the exercise of Options ("**Option Lock-Up Period**").

- 7.2 Eligible Persons shall be entitled to exercise their Options during a period of 3 years from the date of adoption of the resolution confirming satisfaction of the conditions entitling to the exercise of Options referred to in Par. 6.8 hereof (“**Maturity Date**”), however Options may be exercised only within 10 business days, starting on the first day of listing the Company’s shares, which follows the day of publication of periodic reports (quarterly, interim, and annual) by the Company (“**Unlocked Periods**”), unless the above period coincides with a Lock-Up Period.
- 7.3 In cases where the Unlocked Period referred to in Par. 7.2 hereof coincides in whole or in part with a Lock-Up Period, the Unlocked Period shall be extended by such a number of days as to guarantee a 10-day period for Eligible Persons to exercise their Options, starting from the end of the Lock-Up Period.
- 7.4 All non-exercised Options shall expire upon the lapse of a 3-year period from adoption of the resolution referred to in Par. 6.8 hereof.

## **8. DETERMINATION OF STRIKE PRICE OF OPTIONS**

- 8.1 The Strike Price of Options will be equal to the base price less the cumulative dividend paid by the Company:
- 8.1.1 until the Option Strike Date, calculated on a per-share basis, starting from the dividend for 2012 – in relation to Options granted on the date on which these Terms and Conditions are adopted by the Supervisory Board;
  - 8.1.2 from the date of granting the Options to the Option Strike Date, calculated on a per-share basis – in other cases.
- 8.2 The base price will be equal to the average price of shares in the Company (calculated based on the closing prices of shares) for the three months preceding:
- 8.2.1 the date of adoption of the Resolution by the Company’ General Shareholders Meeting – in relation to Options granted on the date on which these Terms and Conditions are adopted by the Supervisory Board, and
  - 8.2.2 the date of granting the Options – in other cases.
- 8.3 In each subsequent calendar month the base price will be indexed by 0.35%, with the first date of base price indexation being 1 August 2013, and thereafter the date of indexation being the first day of each subsequent month.

## **9. ACQUISITION OF WARRANTS**

- 9.1 The Warrants are acquired by the Eligible Persons free of charge. The Warrants may be acquired by the Eligible Persons under the terms and conditions set forth herein and in the Resolution, and only following the exercise of Option rights.
- 9.2 Each Warrant will carry the right to acquire one Share.
- 9.3 The Warrants are non-transferable and inheritable.
- 9.4 The Number of Warrants that the Eligible Person may acquire will be equal to the product of the Option Intrinsic Value (as defined below) on the Option Strike Date and the share market price on the Option Strike Date multiplied by the Number of Options exercised on the Option Strike Date, i.e. in accordance with the following formula:



**Number of Warrants** = Option Intrinsic Value on the Option Strike Date/MP x Number of Options exercised on the Option Strike Date

where:

“**MP**” means the market price of shares in the Company equal to the closing price of shares in the Company on the Option Strike Date or on the next date on which shares in the Company are quoted on the exchange following immediately the Option Strike Date if there is no trading session on WSE on the Option Strike Date.

“**Option Intrinsic Value**” means the value equal to a difference between MP and Strike Price of Options, calculated in accordance with the following formula:

**Option Intrinsic Value** = (MP – Strike Price of Options)

Warrant fractional parts will be rounded downwards to the closest integral number. For the avoidance of doubt, if the number of Warrants calculated in accordance with this Par. **Błąd! Nie można odnaleźć źródła odwołania.** is less than 1, the Eligible Person will not receive any Warrant.

- 9.5 In order to exercise his/her Options, each Eligible Person may submit to the Company, during the Unlocked Period, a statement on exercising rights under options as per form attached in **Appendix 3** hereto (“**Statement on Exercise of Option Rights**”), which will cover, subject to the last sentence in this Par. **Błąd! Nie można odnaleźć źródła odwołania.**, an undertaking of the Eligible Person that (i) until the date specified in accordance with Par. **Błąd! Nie można odnaleźć źródła odwołania.** hereof, he/she will not exercise rights under a half of his/her Warrants (“**Loyalty Portfolio Warrants**”, “**Loyalty Portfolio**”), (ii) he/she consents to keeping the Warrant document/collective warrant certificates for the Loyalty Portfolio Warrants with a stockbroker selected by the Management Board, and (iii) without consent from the Company, he/she will not collect the above Warrants from the stockbroker by the above-mentioned date. If division of all Warrants acquired following the exercise of rights under options in two parts, on the terms set forth in the preceding sentence, does not result in an integral number, the number of Loyalty Portfolio Warrants will be rounded upwards to the closest integral number, whereas the number of Non-Loyalty Portfolio Warrants will be rounded accordingly downwards to the closest integral number. Warrant documents/collective warrant certificates for the Loyalty Portfolio Warrants will be provided by the Management Board directly to the stockbroker appointed by the Management Board to keep the above Warrants (“**Stockbroker**”). For the avoidance of doubt, in the event of expiry of the time limit referred to in Par. **Błąd! Nie można odnaleźć źródła odwołania.** hereof on the date of submission of the Statement on Exercise of Option Rights, the Warrants to be acquired by the Eligible Person in consequence of submission of the above statement will be Loyalty Portfolio Warrants within the meaning of these Terms and Conditions, provided that the provisions in this paragraph regarding the undertakings in (i) – (iii) are not applicable thereto, and documents of such Warrants /Warrant collective certificates have been released to the Eligible Person by the Company or by the Stockbroker acting pursuant to a power of attorney granted by the Company.
- 9.6 The Statement on Exercise of Option Rights may be delivered in person or sent by registered mail to the address stated in Par. **Błąd! Nie można odnaleźć źródła odwołania.** hereof, or may be sent by fax or e-mail in \*.pdf format to the above address. The date of submission of the Statement on Exercise of Option Rights is deemed to be date of receipt thereof by an authorised employee of the Company. Any Statement submitted outside the Unlocked Period will be returned.

- 9.7 Promptly after expiry of each Unlocked Period, but not later than 10 business days after its end, the Management Board, or the Supervisory Board if the Eligible Person is the President of the Management Board or a Member of the Management Board, will do the following:
- 9.7.1 verify the Statements on Exercise of Option Rights received during the Unlocked Period;
  - 9.7.2 calculate, in accordance with Par. **Błąd! Nie można odnaleźć źródła odwołania.** hereof, the number of Warrants that a person concerned is entitled to receive;
  - 9.7.3 prepare a document specifying the number of Loyalty Portfolio Warrants and the number of Warrants to be issued to the Eligible Person, as per form attached in **Appendix 5** hereto (“**Specification Letter**”);
  - 9.7.4 provide the Specification Letter to the Eligible Person to the address stated by the latter in the Participation Agreement, and also to the Management Board if the Specification Letter is prepared by the Supervisory Board. A copy of the Specification Letter will be provided to the Stockbroker.
- 9.8 After having prepared the Specification Letter or received the Specification Letter from the Supervisory Board, in accordance with the preceding paragraph, the Management Board will prepare Warrant documents/collective Warrant certificates and will issue Warrant documents to the Eligible Persons, except for Warrant documents/collective Warrant certificate for Loyalty Portfolio Warrants which will be provided to the Stockbroker, subject to the last sentence in Par. **Błąd! Nie można odnaleźć źródła odwołania.** hereof. The activities referred to in this Par. **Błąd! Nie można odnaleźć źródła odwołania.** may be performed by the Stockbroker pursuant to a power of attorney granted by the Company.
- 9.9 Subject to the mandatory provisions of law, the Company’s Articles of Association and other internal regulations of the Company, both the Management Board and the Supervisory Board may entrust two of their respective members with performance of the activities referred to in Par. **Błąd! Nie można odnaleźć źródła odwołania.** and **Błąd! Nie można odnaleźć źródła odwołania.** hereof.

## 10. EXERCISE OF RIGHTS UNDER WARRANTS

- 10.1 One Warrant entitles the Eligible Person to acquire one Share at the nominal value equal to PLN 5 (five zlotys).
- 10.2 The rights to acquire Shares under Warrants which are not covered by the Loyalty Portfolio (“**Non-Loyalty Portfolio Warrants**”) may be exercised by the Eligible Person until 20 June 2023, during any Unlocked Period, but in any case not earlier than before the lapse of the later of the following dates:
- 10.2.1 the date of expiry of the Option Lock-up Period;
  - 10.2.2 3 years from the date of allocation of the Options;

and the Rights to acquire Shares under Loyalty Portfolio Warrants may be exercised by the Eligible Person on the terms and conditions set forth in Par. **Błąd! Nie można odnaleźć źródła odwołania.** through **Błąd! Nie można odnaleźć źródła odwołania.** hereof until 20 June 2023.

- 10.3 The Warrants under which the right to acquire Shares has not been exercised within a time limit stated in Par. **Błąd! Nie można odnaleźć źródła odwołania.** above will expire.
- 10.4 The rights under Non-Loyalty Portfolio Warrants will be exercised by submission of the Warrant document (collective certificate) to the Stockbroker and the subscription for the Shares on a form prepared by the Company, as well as payment of the amount equal to the issue price of the acquired Shares to the Company, in accordance with the procedure set forth in Par. **Błąd! Nie można odnaleźć źródła odwołania.** hereof (“**Date of Exercise of Rights under Non-Loyalty Portfolio Warrants**”).
- 10.5 Not later than on the Date of Exercise of Rights under Non-Loyalty Portfolio Warrants, the Company or its subsidiary which employs or has recently employed the Eligible Person will grant to the latter additional remuneration in the net amount (after deduction of income tax advance and social security contributions) equal to the product of the number of acquired shares of new series and their nominal value (“**Bonus**”). Payment of the issue price of the Shares received following the exercise of the Warrants will be made by a contractual set-off of the amounts owed to the Company on account of the issue price of the Shares acquired following the exercise of rights under Non-Loyalty Portfolio Warrants against the Bonus granted to the Eligible Person, such set-off being made on the Date of Exercise of Rights under Non-Loyalty Portfolio Warrants. The Eligible Person will not bear any costs in connection with receiving Shares in the Company in the manner specified above. In the event that Bonus has not been granted and the amounts owed have not been set off in accordance with this Par. **Błąd! Nie można odnaleźć źródła odwołania.**, the Eligible Person will have a possibility to pay the issue price of the Shares acquired following the exercise of rights under Non-Loyalty Portfolio Warrants, and the Company will be under obligation to return the issue price for the above Shares to the Eligible Person as well as all costs incurred by the Eligible Person in connection with the foregoing.
- 10.6 The Shares acquired following the exercise of rights under Non-Loyalty Portfolio Warrants will be allocated to the Eligible Person and recorded on a securities account in an investment company as indicated by the Eligible Person.
- 10.7 The rights under Loyalty Portfolio Warrants may not be exercised before the lapse of the earlier of the following dates:
- 10.7.1 4 April 2023;
- 10.7.2 the date of termination of Employment.
- 10.8 Subject to Par. **Błąd! Nie można odnaleźć źródła odwołania.** hereof, the rights under Loyalty Portfolio Warrants will be exercised by submission of the subscription for the Shares to the Company, on a form prepared by the latter, and payment of the issue price of the acquired Shares to the Company, in accordance with the procedure set forth in Par. **Błąd! Nie można odnaleźć źródła odwołania.** hereof (“**Date of Exercise of Rights under Loyalty Portfolio Warrants**”).
- 10.9 Subject to Par. **Błąd! Nie można odnaleźć źródła odwołania.** hereof, after having found that the time limit necessary for the exercise of rights under Loyalty Portfolio Warrants, as referred to in Par. **Błąd! Nie można odnaleźć źródła odwołania.** hereof, has expired, on the Date of Exercise of Rights under Loyalty Portfolio Warrants the Company or its subsidiary which employs or has recently employed the Eligible Person will grant to the latter Bonus, in the amount equal to the product of the number of acquired Shares and their nominal value, and will make a contractual set-off of the amounts owed to the Company on account of the issue price of the Shares acquired following the exercise of rights under Loyalty Portfolio Warrants

against the Bonus granted to the Eligible Person. The Eligible Person will not bear any costs in connection with receiving Shares in the Company in the manner specified above. In the event that Bonus has not been granted and the amounts owed have not been set off in accordance with this Par. **Błąd! Nie można odnaleźć źródła odwołania.**, the Eligible Person will have a possibility to pay the issue price of the Shares acquired following the exercise of rights under Loyalty Portfolio Warrants, and the Company will be under obligation to return the issue price for the above Shares to the Eligible Person as well as all costs incurred by the Eligible Person in connection with the foregoing.

10.10 Subject to Par. **Błąd! Nie można odnaleźć źródła odwołania.** hereof, the Shares acquired following the exercise of rights under Loyalty Portfolio Warrants will be allocated to the Eligible Person and recorded on a securities account in an investment company as indicated by the Eligible Person.

10.11 Not later than on the Date of Exercise of Rights under Loyalty Portfolio Warrants, the Eligible Person will conclude with the Company, or with the Stockbroker acting pursuant to a power of attorney granted by the Company, an agreement restricting disposition with the shares (lock-up), as per form attached in **Appendix 4** hereto, under which, subject to exclusions stated therein, the Eligible Person will be able to make disposition with the Shares acquired following the exercise of rights under Loyalty Portfolio Warrants (“**Loyalty Shares**”) after termination of Employment, in three equal parts, on the following dates:

10.11.1 after the date of termination of Employment;

10.11.2 after expiry of 1 year from the date of termination of Employment;

10.11.3 after expiry of 2 years from termination of Employment.

## **11. INTRODUCTION OF SHARES INTO TRADING ON THE STOCK EXCHANGE**

11.1 The Company will apply for admission and introduction of the acquired Shares to and into trading on WSE at least 4 times in a calendar year. The number of applications may be lower only if no Shares have been acquired by the Eligible Persons since the date of submission of the previous application.

11.2 The application referred to in Par. **Błąd! Nie można odnaleźć źródła odwołania.** hereof should cover all the Shares which were not covered by the previous application and were acquired by the Eligible Persons not later than one day before submission of the application.

11.3 The Shares will carry the right to dividends as follows:

11.3.1 The Shares recorded in the Eligible Persons’ securities accounts not later than on the dividend record date specified in the Company’s General Shareholders Meeting’s resolution on the distribution of the Company’s profit will carry the right to dividends out of the profit made in the financial year preceding the financial year in which the Shares were recorded in the securities accounts, i.e. from 1 January of the financial year immediately preceding the year in which the Shares were recorded in the relevant securities accounts;

11.3.2 The Shares recorded in the Eligible Persons’ securities accounts after the dividend record date specified in the Company’s General Shareholders Meeting’s resolution on the distribution of the Company’s profit will carry the right to dividends starting from the dividend for the financial year in which the Shares were recorded in the securities

accounts, i.e. from 1 January of the financial year in which the Shares were recorded in the relevant securities accounts.

- 11.4 Starting from the month in which the first Share is recorded on the securities account, within one week from the end of each subsequent month the Management Board will report to the registry court a list of Shares acquired in the month concerned in order to update the entry regarding the share capital. A list of persons that have exercised the right to acquire the Shares will be attached to the report. The list referred to in the preceding sentence will include full names of the shareholders, the number of Shares acquired by them and the value of contributions made by each shareholder. If no Shares are recorded on the securities account in the month concerned, the Management Board will notify the registry court thereof.

## 12. CHANGE OF CONTROL

In the event of change of control over the Company, to be understood as exceeding, directly or indirectly, a threshold of 50% in the total number of votes at the General Shareholders Meeting, the Eligible Person will have a right, within a period of 12 months from the date of change of control, to (depending on which situation is applicable to the Eligible Person concerned):

- 12.1 exchange all Options in respect of which satisfaction of the criteria entitling to the exercise thereof has been stated into remuneration in cash. The amount of the above remuneration in cash will be equal to the higher of the following values: the Option Intrinsic Value (as defined in Par. **Błąd! Nie można odnaleźć źródła odwołania.** hereof) determined on the date of Option exchange into remuneration in cash, multiplied by the number of Options of the Eligible Person on the above date, or (ii) the product of the number of Options of the Eligible Person and the unit price for the Company's shares offered by the investor that has taken over control over the Company, in the tender offer for the sale or exchange (in the case of direct acquisition of Shares in the Company) or otherwise (in the case of indirect acquisition of Shares in the Company) (in any case the unit price for shares in the Company for at least 25% of the shares or other financial instruments or rights authorising indirectly to exercise the voting rights under not less than 25% of the shares in the Company will be adopted), adjusted for the strike price of the Options, provided that in both above cases the amount of remuneration in cash will be multiplied by 81/68 in order to compensate for the tax costs;
- 12.2 exercise the rights under all Warrants (acquire the Shares), including also Loyalty Portfolio Warrants at any time, except for the Lock-up Period, unless the restrictions connected with Lock-up Periods will not apply to the Eligible Person concerned;
- 12.3 make disposition with the Shares acquired following the exercise of rights under Warrants at any time, except for the Lock-up Period, unless the restrictions connected with Lock-up Periods will not apply to the Eligible Person concerned.

## 13. DEATH OF ELIGIBLE PERSON

- 13.1 In the event of death of an Eligible Person, his/her heirs will be entitled to receive remuneration in cash for the Options granted to the Eligible Person that:
- 13.1.1 have matured in accordance with Par. 7.2 hereof and have not been exercised, and

- 13.1.2 will mature after the Supervisory Board has adopted a resolution stating satisfaction of the conditions entitling to the exercise thereof in the settlement period in which the Eligible Person died, in accordance with Par. 6.8 hereof,
- 13.2 The remuneration in cash referred to in Par. **Błąd! Nie można odnaleźć źródła odwołania.** above will be equal to the Option Intrinsic Value (as defined in Par. **Błąd! Nie można odnaleźć źródła odwołania.** hereof) determined on the last day of the month in which the Eligible Person died, calculated on a number of Options per settlement period concerned basis. For the settlement period in which the Eligible Person died the number of Options will be reduced in proportion to a period from the beginning of the settlement period to the last day of the month of death. The remaining Options granted to the Eligible Person will be added to the Flexible Tranche.
- 13.3 The rights to acquire the Shares set forth in Par. **Błąd! Nie można odnaleźć źródła odwołania.** hereof may be exercised by the Eligible Person's heirs.
- 13.4 The Company will take necessary action to determine identity of the Eligible Person's heirs.

#### **14. LOSS OF RIGHTS TO PARTICIPATE IN THE SCHEME**

The Eligible Person will lose the right to continued participation in the Scheme and unexercised Options, except for the Options which may be exercised by the Eligible Person, will expire:

- 14.1 in the case of employment on an employment contract basis – if the conditions under Article 52 of the Polish Labour Code have been satisfied;
- 14.2 in the case of employment on a civil law contract basis – if the contract has been terminated by the Company because of serious violation of obligations specified therein or action to the detriment of the Company, which has been found in a final judgment by a court of law;
- 14.3 in the case referred to in Par. **Błąd! Nie można odnaleźć źródła odwołania.** hereof.

#### **15. EXCLUSION OF COMPANY'S SHARES FROM TRADING ON WSE**

In the event that WSE decides to exclude the Company's shares from trading on WSE, all Options (which may be exercised in connection with satisfaction of the criteria entitling to the exercise thereof) and Warrants acquired by an Eligible Person may be exercised before the exclusion date. The remaining Options will expire as of the date of excluding the shares from trading.

#### **16. DIVIDEND**

The Eligible Persons may not receive any dividend in connection with allocated Options until the rights under Warrants have been exercised and the Shares have been recorded on securities accounts.

#### **17. NO TRANSFER**

The Options granted under these Terms and Conditions may not be transferred or encumbered by the Eligible Persons.

## **18. LIQUIDATION OF THE COMPANY**

In the event of liquidation of the Company, the rights to acquire Warrants and the rights to acquire Shares will expire, without any compensation.

## **19. COMMUNICATION WITH THE COMPANY**

All representations and correspondence connected with execution of the Scheme, in particular Statements on Exercise of Rights under Options made by the Eligible Persons, are to be provided by the President and Members of the Management Board to the Supervisory Board to the following address: 21-013 Puchaczów, for the attention of the Chairman of the Supervisory Board, fax: 81 4625426, e-mail: rn@lw.com.pl, and by the remaining Eligible Persons to the Management Board to the following address: 21-013 Puchaczów, for the attention of the President of the Management Board, fax: 81 4625617, e-mail: zarzad@lw.com.pl.

## **20. AMENDMENT OF TERMS AND CONDITIONS AND ADJUSTMENT**

- 20.1 Any amendments of these Terms and Conditions as well as documentation related hereto will require a resolution of the Supervisory Board and should be communicated to the Eligible Persons by way of sending a relevant notification to the address of residence or e-mail address stated in the Participation Agreement.
- 20.2 The Supervisory Board may adjust the terms of Option exercise in response to specific non-recurring events affecting the Company, its shares, Company's capital structure, Company's shareholding structure or Company's financial profit/loss in order to adjust the terms of Option exercise to any amendments in the mandatory provisions of law, internal regulations of the Company or principles of accounting practices, provided that consent of the General Shareholders Meeting will be required to change the criteria referred to in Par. 6.2 hereof. Any adjustments of the terms of Option exercise may not result in the change of the total value of the Shares that could be acquired by the Eligible Person if the terms hereof remained unchanged.

## **21. DISPUTES**

All disputed regarding interpretation of these Terms and Conditions or any issues or rights arising from or in connection with the Scheme will be resolved by a common court having territorial competence for the Company's registered office.

## **22. CONFIDENTIALITY**

The Eligible Persons are required to keep confidentiality with respect to particular allocations of Options, their terms and conditions, the number of allocated Options and any information connected with execution of the Scheme, except for the situation where disclosure of the above information is required under the mandatory provisions of law. Failure of the Eligible Person concerned to observe the above undertaking may, at the Supervisory Board's sole discretion, result in excluding such person from continued participation in the Scheme.

### **Appendices:**

1. Allocation Letter Template;
2. Participation Agreement Template;
3. Statement on Exercise of Option Rights Template;
4. Lock-Up Agreement Template;
5. Specification Letter Template.





### ALLOCATION LETTER

This allocation letter (“**Allocation Letter**”) has been issued under Par. 5.2. of the Terms and Conditions of the Management Options Scheme at Lubelski Węgiel Bogdanka S.A. with registered office in Bogdanka in 2013-2017, which are attached as an appendix to the Resolution of the Supervisory Board of Lubelski Węgiel Bogdanka S.A. with registered office in Bogdanka of 30 September 2013 on adoption of the Terms and Conditions of the Management Options Scheme at Lubelski Węgiel Bogdanka S.A. with registered office in Bogdanka in 2013-2017 (“**Terms and Conditions**”).

It is hereby acknowledged that \_\_\_\_\_ residing in \_\_\_\_\_, address: \_\_\_\_\_, holder of \_\_\_\_\_ issued by \_\_\_\_\_, valid until \_\_\_\_\_, is an Eligible Person as defined in the Terms and Conditions, and that by way of the Resolution of the Supervisory Board of \_\_\_\_\_ on \_\_\_\_\_ he/she shall be allocated with \_\_\_\_\_ options in total, \_\_\_\_\_ options in 2013, \_\_\_\_\_ options in 2014, \_\_\_\_\_ options in 2015, \_\_\_\_\_ options in 2016, \_\_\_\_\_ options in 2017\* conferring the right to acquire of series A subscription warrants that confer the right to acquire series D shares with the nominal value of PLN 5 (five zlotys) each, issued under Resolution No. 26 of the Annual General Shareholders Meeting of Lubelski Węgiel Bogdanka Spółka Akcyjna of 4 July 2013 on the issue of series A subscription warrants with the exclusion of a pre-emptive right, conditional increase in the Company's share capital with the exclusion of a pre-emptive right, consent to carry out the Management Options Scheme in 2013-2017.

Eligible Persons have the right to exercise the Options within time limits set out in the Terms and Conditions.

All capitalised terms not defined herein shall have the meanings given to them in the Terms and Conditions.

(company stamp)  
Allocation Letter.

\_\_\_\_\_  
Date and place of the issuance of the

Signature of person authorised to issue the Allocation Letter

\_\_\_\_\_  
Full name

*\*delete as appropriate*

**MANAGEMENT OPTIONS SCHEME PARTICIPATION AGREEMENT**

**THIS AGREEMENT** (hereinafter referred to as the “**Agreement**”) was entered into on [●] at [●] **BY AND BETWEEN:**

1. **Lubelski Węgiel Bogdanka S.A.** with registered office in Bogdanka, address: Bogdanka, 21-013 Puchaczów, entered in the register of businesses of the National Court Register at the Lublin-Wschód District Court in Lublin with head office in Świdnik, VI Commercial Division of the National Court Register, under the number KRS 0000004549, NIP (Tax Reg. No.): 713-000-57-84, REGON (Industry ID No.): 430309210, with a share capital of PLN 170,067,950 fully paid-up (“**Company**”), represented by

[●] and

[●]

and

2. **Ms/Mr [●]**, residing at [●], address: [●], proving his/her identity with ID No. [●] issued by [●], valid until [●], and PESEL (Personal ID No.): [●], NIP (Tax Reg. No.): [●] (“**Eligible Person**”).

**WHEREAS:**

- (A) On 4 July 2013, the Company’s General Shareholders Meeting adopted resolution No. 26 on the issue of series A subscription warrants with the exclusion of a pre-emptive right, conditional increase in the Company’s share capital with the exclusion of a pre-emptive right, consent to carry out the Management Options Scheme at the Company in 2013-2017 (“**Resolution of the GSM**”);
- (B) Pursuant to Article 2.1 of the Resolution of the GSM, the Company may allocate up to 1,360,540 options entitling certain eligible persons to acquire series A subscription warrants, issued under the Resolution of the GSM, free of charge (“**Warrants**”), divided into portions over a period of 5 years. Pursuant to Article 2.2 of the Resolution of the GSM, the number of options allocated to all eligible persons in each year of the Scheme shall not exceed 272,108 options.
- (C) Pursuant to Article 3.1 of the Resolution of the GSM, the share capital has been conditionally increased by an amount not higher than PLN 6,802,700 by issuing not more than 1,360,540 ordinary bearer series D shares with the nominal value of PLN 5 each (“**Shares**”).
- (D) On 30 September 2013, the Company’s Supervisory Board made a resolution on the adoption of the Terms and Conditions of the Management Options Scheme at Lubelski Węgiel Bogdanka S.A. with registered office in Bogdanka in 2013-2017 (“**Resolution of the Supervisory Board**”). As an appendix to the Resolution of the Supervisory Board are attached the Terms and Conditions of the Management Options Scheme at Lubelski Węgiel Bogdanka S.A. with registered office in Bogdanka in 2013-2017 (“**Terms and Conditions**” and “**Scheme**”, respectively). A copy of the Resolution of the Supervisory Board with appended Terms and Conditions is attached hereto as **Appendix 1**.

- (E) Pursuant to the Terms and Conditions, a list of persons eligible to participate in the Scheme was prepared, with an indication of the number of options allocated to each person (“**Eligible Persons List**”). The Eligible Persons List was adopted by resolution of the Supervisory Board of 30 September 2013 on the adoption of a list of persons eligible to participate in the Management Options Scheme at Lubelski Węgiel Bogdanka S.A. with registered office in Bogdanka in 2013-2017 and on the allocation of Options (“**Option Allocation Resolution**”). A copy of the Option Allocation Resolution is attached hereto as **Appendix 2**. An Allocation Letter, which documents the allocation of Options to the Eligible Person, is attached hereto as **Appendix 3**.
- (F) The Eligible Person performs work / provides services / acts as [●] on the basis of employment relationship / appointment / contract [●] entered into in [●] [*insert year*] (“**Employment**”).
- (G) Pursuant to Par. 5.9 of the Terms and Conditions, after the Supervisory Board has allocated options, Scheme participation agreements are to be signed with Eligible Persons.

**NOW, THEREFORE, THE PARTIES HAVE AGREED AS FOLLOWS:**

**1. ALLOCATION OF OPTIONS**

Pursuant to the Option Allocation Resolution, the Eligible Person was allocated a total of [●] options (“**Options**”), subject to satisfaction of the criteria referred to in Par. **Błąd! Nie można odnaleźć źródła odwołania.** hereof.

**2. OPTION EXERCISE CRITERIA**

- 2.1. Exercise of the allocated Options shall depend on the satisfaction of certain business criteria consistent with the Company’s strategic plans and certain non-business criteria set out in the Terms and Conditions. Values of the business criteria, as described in the Terms and Conditions, in each year of the Scheme shall be established by a resolution of the Supervisory Board on the date of adopting the Terms and Conditions and shall not be lower than those indicated in the Terms and Conditions. After the aforementioned date, the Supervisory Board may not change the above criteria without the consent of the General Shareholders Meeting.
- 2.2. In each year of the Scheme, the Supervisory Board shall adopt a resolution confirming satisfaction of (or failure to satisfy) the conditions entitling to the exercise of Options at a meeting held to assess the Company’s financial statements for the previous financial year. The contents of such a resolution shall be communicated by the Supervisory Board to Eligible persons by way of written notification sent to the address of residence or e-mail address specified in Par. **Błąd! Nie można odnaleźć źródła odwołania.** hereof.

**3. EXERCISE OF OPTIONS**

- 3.1. Options may not be exercised in the period from their allocation until the date when the Supervisory Board adopts a resolution on satisfaction of the conditions entitling to the exercise of Options, as referred to in Par. 2.2 hereof (“**Option Lock-Up Period**”).
- 3.2. The Eligible Person may exercise his/her Option rights during a period of 3 years from the date of adoption of the resolution referred to in Par. 2.2 hereof, however Options may be exercised only within 10 business days, starting on the first day of listing the Company’s shares, which follows the day of publication of periodic reports (quarterly, interim, and annual) by the Company (“**Unlocked Periods**”), unless the above period coincides with a Lock-Up Period (as defined in Article 159.2 of the Polish Act on Trading in Financial Instruments of 29 July

2005 (Dz. U. [Journal of Laws] of 2010, No. 211, item 1384, as amended). In cases where the Unlocked Period coincides in whole or in part with a Lock-Up Period, the Unlocked Period shall be extended by such a number of days as to guarantee a 10-day period for Eligible Persons to exercise their Options, starting from the end of the Lock-Up Period.

- 3.3. In order to exercise his/her Options, the Eligible Person may submit to the Company, during the Unlocked Period, a statement on exercising Option rights as per the Terms and Conditions.
- 3.4. All non-exercised Options shall expire upon the lapse of a 3-year period from adoption of the resolution referred to in Par. 2.2 hereof.

#### **4. ACQUISITION OF WARRANTS AND SHARES**

- 4.1. In exercising Option rights, the Eligible Person may acquire Warrants free of charge in a quantity determined in accordance with the provisions of the Terms and Conditions.
- 4.2. Each Warrant will carry the right to acquire one Share.
- 4.3. The Warrants are non-transferable and inheritable.
- 4.4. The rights to acquire Shares under Warrants which are not covered by the Loyalty Portfolio (“**Non-Loyalty Portfolio Warrants**”) may be exercised by the Eligible Person until 20 June 2023, during any Unlocked Period, but in any case not earlier than before the lapse of the later of the following dates:
  - 4.7.1. the date of expiry of the Option Lock-up Period,
  - 4.7.2. 3 years from the date of allocation of the Options.
- 4.5. The rights under Non-Loyalty Portfolio Warrants will be exercised by submission of the Warrant document (collective certificate) to the Stockbroker and the subscription for the Shares on a form prepared by the Company, as well as payment of the amount equal to the issue price of the acquired Shares to the Company, in accordance with the procedure set forth in Par. 10.5 of the Terms and Conditions, i.e. through granting to the Eligible Person, not later than on the Date of Exercise of Rights under Non-Loyalty Portfolio Warrants, of a Bonus in an amount equal to the product of the number of Shares acquired and their nominal value, and through a contractual set-off of the amounts owed to the Company on account of the issue price of the Shares acquired following the exercise of rights under Non-Loyalty Portfolio Warrants against the Bonus granted to the Eligible Person.
- 4.6. The rights to acquire Shares under Loyalty Portfolio Warrants may not be exercised before the lapse of the earlier of the following dates:
  - 4.7.1. 4 April 2023;
  - 4.7.2. the date of termination of Employment in a position covered by the Scheme.
- 4.7. The right to acquire Shares under Loyalty Portfolio Warrants may be exercised until 20 June 2023.
- 4.8. The Warrants under which the right to acquire Shares has not been exercised within time limits stated in Par. 4.4 and 4.7 above will expire.
- 4.9. The issue price of Shares is PLN 5 (five).

- 4.10. The nominal value of one Share is PLN 5 (five).
- 4.11. The rights under Loyalty Portfolio Warrants will be exercised by submission of the subscription for the Shares to the Company, on a form prepared by the latter, and payment of the issue price of the acquired Shares to the Company, in accordance with the procedure set forth in Par. 10.9 of the Terms and Conditions, i.e. through granting to the Eligible Person, not later than on the Date of Exercise of Rights under Loyalty Portfolio Warrants, of a Bonus in an amount equal to the product of the number of Shares acquired and their nominal value, and through a contractual set-off of the amounts owed to the Company on account of the issue price of the Shares acquired following the exercise of rights under Loyalty Portfolio Warrants against the Bonus granted to the Eligible Person.
- 4.12. Prior to the exercise of rights under Loyalty Portfolio Warrants, the Eligible Person will conclude with the Company an agreement restricting disposition with the shares (lock-up), in accordance with the provisions of the Terms and Conditions.
- 4.13. In the event that the Management Board does not grant the Bonus to the Eligible Person within the time limits specified in Par. 4.5 or 4.11 and does not set off the amounts due in accordance with the Terms and Conditions, the Eligible Person will have a possibility to pay the issue price of the Shares acquired following the exercise of rights under the Warrants referred to in Par. 4.5 or 4.11, and the Company will be under obligation to return the issue price for the above Shares to the Eligible Person as well as all costs incurred by the Eligible Person in connection with the foregoing.

## **5. CHANGE OF CONTROL**

In the event of change of control over the Company, to be understood as exceeding, directly or indirectly, a threshold of 50% in the total number of votes at the General Shareholders Meeting, the Eligible Person will have a right, within a period of 12 months from the date of change of control, to (depending on which situation is applicable to the Eligible Person concerned):

- 22.1 exchange all Options in respect of which satisfaction of the criteria entitling to the exercise thereof has been stated into remuneration in cash. The amount of the above remuneration in cash will be equal to the higher of the following values: (i) the Option Intrinsic Value (as defined in Par. 9.4 of the Terms and Conditions) determined on the date of Option exchange into remuneration in cash, multiplied by the number of Options available to the Eligible Person on the above date, or (ii) the product of the number of Options available to the Eligible Person and the unit price for the Company's shares offered by the investor that has taken over control over the Company, in the tender offer for the sale or exchange (in the case of direct acquisition of Shares in the Company) or otherwise (in the case of indirect acquisition of Shares in the Company) (in any case the unit price for shares in the Company for at least 25% of the shares or other financial instruments or rights authorising indirectly to exercise the voting rights under not less than 25% of the shares in the Company will be adopted), adjusted for the strike price of the Options, provided that in both above cases the amount of remuneration in cash will be multiplied by 81/68 in order to compensate for the tax costs;
- 22.2 exercise the rights under all Warrants (acquire the Shares), including also Loyalty Portfolio Warrants at any time, except for the Lock-up Period, unless the restrictions connected with Lock-up Periods will not apply to the Eligible Person concerned;

22.3 make disposition with the Shares acquired following the exercise of rights under Warrants at any time, except for the Lock-up Period, unless the restrictions connected with Lock-up Periods will not apply to the Eligible Person concerned.

## **6. DEATH OF ELIGIBLE PERSON**

6.1. In the event of death of an Eligible Person, his/her heirs will be entitled to receive remuneration in cash for the Options granted to the Eligible Person that:

6.1.1 have matured in accordance with Par. 7.2 of the Terms and Conditions and have not been exercised, and

6.1.2 will mature after the Supervisory Board has adopted a resolution stating satisfaction of the conditions entitling to the exercise thereof in the settlement period in which the Eligible Person died, referred to in Par. 2.2 hereof.

6.2. The remuneration in cash referred to in the preceding paragraph will be equal to the Option Intrinsic Value (as defined in Par. 9.4 of the Terms and Conditions) determined on the last day of the month in which the Eligible Person died, calculated on a number of Options per settlement period concerned basis. For the settlement period in which the Eligible Person died the number of Options will be reduced in proportion to a period from the beginning of the settlement period to the last day of the month of death. The remaining Options granted to the Eligible Person will be added to the Flexible Tranche.

6.3. The rights to acquire the Shares arising from the Warrants may be exercised by the Eligible Person's heirs.

6.4. The Company will take necessary action to determine identity of the Eligible Person's heirs.

## **7. LOSS OF RIGHTS TO PARTICIPATE IN THE SCHEME**

7.1. The Eligible Person will lose the right to continued participation in the Scheme and unexercised Options, except for the Options which may be exercised by the Eligible Person, will expire:

7.1.1 in the case of employment on an employment contract basis – if the conditions under Article 52 of the Polish Labour Code have been satisfied;

7.1.2 in the case of employment on a civil law contract basis – if the contract has been terminated by the Company because of serious violation of obligations specified therein or action to the detriment of the Company, which has been found in a final judgment by a court of law;

7.1.3 in the case referred to in Par. 22 of the Terms and Conditions.

## **8. NOTIFICATIONS**

All notifications regarding the Scheme shall be submitted to the Eligible Person as provided for in the Terms and Conditions to the following addresses:

**Mailing address:** [●]

**E-mail:** [●]

## 9. CONFIDENTIALITY

- 9.1. The Eligible Persons are required to keep confidentiality with respect to particular allocations of Options, their terms and conditions, the number of allocated Options and any information connected with execution of the Scheme, except for the situation where disclosure of the above information is required under the mandatory provisions of law. Failure of the Eligible Person concerned to observe the above undertaking may, at the Supervisory Board's sole discretion, result in excluding such person from continued participation in the Scheme.
- 9.2. The Parties agree not to disclose any information on the contents of this Agreement and any data obtained in connection with the performance hereof (except for information which is required to be disclosed under the applicable law) to any third parties without the consent of the other Parties.
- 9.3. The above obligation shall not apply to information which: (i) was in the public domain at the time of their disclosure to the Parties or their advisers; (ii) becomes publicly available after its disclosure to the Parties other than through a violation of this Agreement and without breaching the confidentiality obligation imposed by the Agreement or the law.

## 10. DISPUTE SETTLEMENT

All disputed regarding interpretation of the Terms and Conditions or any issues or rights arising from or in connection with the Scheme will be resolved by a common court having territorial competence for the Company's registered office.

## 11. FINAL PROVISIONS

- 11.1. All appendices hereto form an integral part of this Agreement.
- 11.2. All capitalised terms not defined herein shall have the meanings given to them in the Terms and Conditions.
- 11.3. The provisions of the Terms and Conditions are an integral part of this Agreement. A copy of the Resolution of the Supervisory Board with appended Terms and Conditions is attached hereto as an appendix.
- 11.4. Any matters not provided for herein shall be governed by the relevant provisions of the Resolution of the GSM and the Terms and Conditions referred to hereinabove, which provisions are known to the Eligible Person, which is hereby confirmed by him/her by signing this Agreement.
- 11.5. This Agreement has been drawn up in two identical copies, one for each Party.
- 11.6. Any amendments to this Agreement require to be made in writing, otherwise shall be null and void.

## SIGNATURES OF PARTIES

**Lubelski Węgiel Bogdanka Spółka Akcyjna:**

**Eligible Person:**

Signature: \_\_\_\_\_

Full name:

Position:

Signature: \_\_\_\_\_

Full name:

Position:

**Appendices:**

1. Copy of Resolution of the Supervisory Board.
2. Copy of Option Allocation Resolution.
3. Allocation Letter.



**STATEMENT ON EXERCISE OF OPTION RIGHTS TEMPLATE**

Under Par. 9.5 of the Terms and Conditions of the Management Options Scheme at Lubelski Węgiel Bogdanka S.A. (“**Company**”), which constitute an appendix to a Resolution of the Supervisory Board of 30 September 2013 on adoption of the Terms and Conditions of the Management Options Scheme at Lubelski Węgiel Bogdanka S.A. with registered office in Bogdanka in 2013-2017 (“**Scheme**”, “**Terms and Conditions**”), and in view of meeting the criteria for the exercise of options allocated to me in [●] [*insert year*], which has been acknowledged with a resolution of the Supervisory Board and of which I have been notified in writing/by e-mail, copy/printout of which is attached hereto, **I hereby make a statement on exercise of [●] options available to me, allocated under [●], and I request that the number of subscription warrants available to me (“Warrants”) be calculated (pursuant to rules set out in the Terms and Conditions), and release of the document of such warrant/warrant collective certificates, in accordance with the indicated data:**

<b>Full name of Eligible Person:</b>	
<b>Place of residence:</b>	
<b>Number and series of ID/passport, identification of authority issuing the ID/passport, and expiration date:</b>	
<b>PESEL (Personal ID No.):</b>	
<b>NIP (Tax Reg. No.):</b>	

Furthermore, I hereby consent\* to the fact that a half of the Warrants available to me, the number of which shall be calculated pursuant to the rules set out in the Terms and Conditions (“**Loyalty Portfolio Warrants**”), shall be deposited by the Company with a Stockbroker appointed by the Management Board and shall not be collected by me without the Company’s consent, as well as I shall not undertake any actions aimed at exercising rights under the above mentioned Warrants before the lapse of the earlier of the following dates:

1. 4 April 2023;
2. date of my termination of Employment (to be understood as performance of work or provision of services of a similar nature to the Company or the Company’s subsidiary) on a position covered with the Scheme.

All capitalised terms not defined herein shall have the meanings given to them in the Terms and Conditions.

In the event that the statements made herein prove to be unreliable or untrue, the Company has the right to seek compensation for damage incurred in connection with the issue of the Warrant documents.

\* not applicable to persons, with respect to whom the time limit referred to in item 1 or 2 above has lapsed as at the date of submission hereof.

**Date and place of submission of the  
Statement:**

**Position of Eligible Person:**

**Signature of Eligible Person:**

Signature of the person accepting the Statement

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*Full name*

## LOCK-UP AGREEMENT

**THIS AGREEMENT** (hereinafter referred to as the “**Agreement**”) was entered into on [●] in [●] **BY AND BETWEEN:**

1. **Lubelski Węgiel Bogdanka S.A.** with registered office in Bogdanka, address: Bogdanka, 21-013, post in Puchaczów, entered in the register of businesses of the National Court Register at the Lublin-Wschód District Court in Lublin with head office in Świdnik, VI Commercial Division of the National Court Register, under the number KRS 0000004549, NIP (Tax Reg. No.): 713-000-57-84, REGON (Industry Id. No.): 430309210, with a share capital of PLN 170,067,950 fully paid-up (“**Company**”), represented by:

[●] and

[●]

and

2. **Ms/Mr [●]**, residing at [●], address: [●], proving his/her identity with ID No. [●] issued by [●], valid until [●], and PESEL (Personal ID No.): [●], NIP (Tax Id. No.): [●] (“**Eligible Person**”).

### WHEREAS:

- (A) On 4 July 2013, the Company’s General Shareholders Meeting adopted resolution No. 26 on the issue of series A subscription warrants with the exclusion of a pre-emptive right, conditional increase in the Company’s share capital with the exclusion of a pre-emptive right, consent to carry out the Management Options Scheme in 2013-2017 (“**Resolution of the GSM**”);
- (B) On 30 September 2013, the Company’s Supervisory Board made a resolution on the adoption of the Terms and Conditions of the Management Options Scheme at Lubelski Węgiel Bogdanka S.A. with registered office in Bogdanka in 2013-2017 (“**Resolution of the Supervisory Board**”). As an appendix to the Resolution of the Supervisory Board are attached the Terms and Conditions of the Management Options Scheme at Lubelski Węgiel Bogdanka S.A. with registered office in Bogdanka in 2013-2017 (“**Terms and Conditions**” and “**Scheme**”, respectively).
- (C) In the period from [●] to [●], the Eligible Person has been performing/performed work or has been providing/provided services or has been acting/acted as [●] on the basis of employment relationship/appointment/contact [●] entered into in [●] [*insert year*] (“**Employment**”).
- (D) Pursuant to Article 2.1 of the Resolution of the GSM, the Company may allocate up to 1,360,540 options entitling certain eligible persons to acquire series A subscription warrants, issued under the Resolution of the GSM, free of charge (“**Warrants**”), divided into portions over a period of 5 years. Pursuant to Article 2.2 of the Resolution of the GSM, the number of

options allocated to all eligible persons in each year of the Scheme shall not exceed 272,108 options.

- (E) Pursuant to Article 3.1 of the Resolution of the GSM, the share capital has been conditionally increased by an amount not higher than PLN 6,802,700 by issuing not more than 1,360,540 ordinary bearer series D shares with the nominal value of PLN 5 each (“**Shares**”).
- (F) On [●], the Eligible Person acquired [●] Warrants, being Loyalty Portfolio Warrants within the meaning of the Terms and Conditions.
- (G) The Eligible Person intends to exercise the right under the Loyalty Portfolio Warrants.
- (H) Pursuant to Par. 10.11 of the Terms and Conditions, before the exercise of rights under Loyalty Portfolio Warrants, the Eligible Person shall conclude an agreement restricting disposition with the shares (*lock-up*).

## **THE PARTIES HAVE AGREED AS FOLLOWS**

### **1. LOCK-UP**

- 1.1. The Eligible Person undertakes not to make disposition directly or indirectly with the Company Shares he/she will acquire following the exercise of rights under Loyalty Portfolio Warrants (“**Loyalty Shares**”), within the scope indicated in Article 1.2. In particular, the Eligible Person shall not sell, announce intention to sell, grant options, undertake to sell or make any other disposition with the Loyalty Shares, as well as shall not make any transaction directly or indirectly which shall result in a transfer of the Loyalty Shares to any third party, and also shall not undertake, directly or indirectly, any talks or negotiations with regard to make disposition with the Loyalty Shares with any third party without prior written consent of the Company.
- 1.2. The above mentioned limitation shall apply to [number] Loyalty Shares, until the termination of Employment on a position to which the Scheme applies. Following the termination of Employment on the position to which the Scheme applies, the Eligible Person will be entitled to make disposition with the Loyalty Shares as follows:
  - 1.2.1 1/3 of the Loyalty Shares, i.e. [number] Loyalty Shares, the Eligible Person shall be entitled to make disposition after the date of termination of Employment on a position to which the Scheme applies;
  - 1.2.2 1/3 of the Loyalty Shares, i.e. [number] Loyalty Shares, the Eligible Person shall be entitled to make disposition after the lapse of one year from the date of termination of Employment on a position to which the Scheme applies;
  - 1.2.3 1/3 of the Loyalty Shares, i.e. [number] Loyalty Shares, the Eligible Person shall be entitled to make disposition after the lapse of two years from the termination of Employment on a position to which the Scheme applies.
- 1.3. Restrictions specified in Articles 1.1 and 1.2 shall not apply in the event of change of control over the Company, to be understood as exceeding a threshold 50% in the total number of votes at the General Shareholders Meeting.

### **2. CONFIDENTIALITY**

- 9.4. The Parties agree not to disclose any information on the contents of this Agreement and any data obtained in connection with the performance hereof (except for information which is

required to be disclosed under the applicable law) to any third parties without the consent of the other Parties.

- 9.5. The above obligation shall not apply to information which: (i) was in the public domain at the time of their disclosure to the Parties or their advisers; (ii) becomes publicly available after its disclosure to the Parties other than through a violation of this Agreement and without breaching the confidentiality obligation imposed by the Agreement or the law.

### 3. FINAL PROVISIONS

- 3.1. This Agreement becomes effective on the date first written above and shall be in force for a period of 5 years from that date.
- 3.2. Any amendments to this Agreement require to be made in writing, otherwise shall be null and void.
- 3.3. All notifications regarding the Scheme shall be submitted to the Eligible Person as provided for in the Terms and Conditions to the following addresses:

**Mailing address:** [●]

**E-mail:** [●]

- 3.4. All disputes regarding interpretation of this Agreement or any issues or rights arising from or in connection with the Scheme will be resolved by a common court having territorial competence for the Company's registered office.
- 3.5. All capitalised terms not defined herein shall have the meanings given to them in the Terms and Conditions.
- 3.6. This Agreement has been drawn up in two identical copies, one for each Party.

### SIGNATURES OF PARTIES

**Lubelski Węgiel Bogdanka Spółka Akcyjna**

**Eligible Person:**

Signature: \_\_\_\_\_  
Full name:  
Position:

Signature: \_\_\_\_\_  
Full name:  
Position:

Signature: \_\_\_\_\_  
Full name:  
Position:

### SPECIFICATION LETTER

This Specification Letter has been issued under Par. 9.7.3. of the Terms and Conditions of the Management Options Scheme at Lubelski Węgiel Bogdanka S.A. with registered office in Bogdanka in 2013-2017, which constitute an appendix to the Resolution of the Supervisory Board of Lubelski Węgiel Bogdanka S.A. with registered office in Bogdanka of 30 September 2013 on adoption of the Terms and Conditions of the Management Options Scheme at Lubelski Węgiel Bogdanka S.A. with registered office in Bogdanka in 2013-2017 (“**Terms and Conditions**”).

Considering that on [●], the Eligible Person made a Statement on Exercise of Option Rights, under Par. 9.5 of the Terms and Conditions, the Management/Supervisory Board\* has determined the number of warrants available to the Eligible Person to \_\_\_\_\_, \_\_\_\_\_ of which are Loyalty Portfolio Warrants under Par. 9.5 of the Terms and Conditions, and \_\_\_\_\_ - Non-Loyalty Portfolio Warrants under Par. 10.2 of the Terms and Conditions. \_\_\_\_\_ warrants shall be issued to the Eligible Person.

All capitalised terms not defined herein shall have the meanings given to them in the Terms and Conditions.

A copy hereof will be provided by the Management Board to the Stockbroker of their choice, which as at the date of issuance hereof is [●].

(company stamp)  
Specification Letter

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Date and place of the issuance of the

Signature of person authorised to issue the Specification Letter

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Full name

*\*delete as appropriate*