

Current Report No. 9/2015

Date of preparation: 10 June 2015

Subject: Resolution of the Management Board regarding the proposal submitted to the General Shareholders Meeting concerning distribution of the net profit for 2014, evaluation of the Management Board's proposal by the Supervisory Board, and update of the sales targets for 2015.

General legal basis: Article 56.1.2 of the Act on Public Offering – current and periodic information

Content:

With reference to Current Report No. 5/2015 of 5 May 2015, the Management Board of Lubelski Węgiel BOGDANKA S.A. ("Company") with its registered office in Bogdanka hereby announces that on 9 June 2015 the Management Board adopted a resolution on changing the proposal submitted to the Shareholders Meeting concerning distribution of the net profit for 2014.

The Management Board has proposed that the Annual General Shareholders Meeting of Lubelski Węgiel BOGDANKA S.A. in Bogdanka, acting pursuant to Article 396.4 of the Polish Code of Commercial Companies and Article 57.2 of the Articles of Association, creates reserve capital to be used for dividend payments and that the net profit for 2014 in the amount of **PLN 272,942,404.07** (two hundred and seventy-two million nine hundred and forty-two thousand four hundred and four Polish zloty 7/100) be distributed as follows:

- the amount of **PLN 102,040,770** (one hundred and two million forty thousand seven hundred and seventy Polish zloty 00/100), that is 37.5% of the net profit, be allocated to a reserve capital to be used for dividend payments;
- the remaining amount, that is **PLN 170,901,634.07** (one hundred and seventy million nine hundred and one thousand six hundred and thirty-four Polish zloty 7/100), that is 62.5% of the net profit, be allocated to supplementary capital.

Having read the Management Board's proposal submitted to the General Shareholders Meeting concerning distribution of the net profit for 2014, the Supervisory Board of the Company did not pass a resolution on accepting the proposal.

The ultimate decision regarding distribution of the profit for the financial year 2014 will be made by the Annual General Shareholders Meeting of Lubelski Węgiel BOGDANKA S.A. convened for 18 June 2015.

The Management Board's decision to change the recommendation, as notified by the Company in Current Report No. 5/2015 of 5 May 2015, is the consequence of an increasingly difficult market situation related to the continued significant price pressure resulting from the

oversupply of coal in the Polish market and the aggressive pricing policy from the government-subsidised Kompania Węglowa S.A. These factors have given rise to the risk of limiting the volume of sales to the Company's customers in 2015 and in the longer term.

This situation has made it necessary to update the sales targets and, consequently, the production targets for 2015, establishing them at 8.5 million tonnes.

The Company is taking actions aimed at mitigating the effects related to the limited selling opportunities. The Management Board has decided to implement a restructuring plan, including optimisation of the production schedule, significant reduction of the permanent headcount and outsourced services, maintenance of the unit costs at the current level, and cutback in the investment plan to a level required for the continuity of operations of the Company. In connection with the implementation of the restructuring plan, the capital expenditures in 2015 are expected to reach approx. PLN 440 million for the Company and PLN 460 million for the entire LW Bogdanka Group. At the same time, sales-related efforts are being made to attract new coal customers.

Therefore, the factors that have directly caused the updating of the recommendations of the Management Board regarding distribution of the net profit for 2014 include primarily securing of the long-term financial liquidity of the Company having regard to the current market situation and sales targets.

The creation of reserve capital for dividend payments is intended to ensure financial security to the Company. At the same time – pursuant to Article 349 of the Polish Code of Commercial Companies and Articles 22.2.10, 32.2.9 and 59.4 of the Articles of Association – the Management Board, with the consent of the Supervisory Board, may pay out an interim dividend for the financial year 2015 using the funds from the reserve capital, after evaluation of market conditions and the Company's situation. This evaluation will be made on the basis of the following factors:

- the current financial standing of the Company,
- the level of contracted sales volumes for the next year,
- the situation in the Polish coal market,
- the direction of restructuring of Kompania Węglowa S.A.,
- the situation in global coal markets.

The Management Board will decide on the payment of an interim dividend and its amount by 30 November 2015.

The Management Board's proposal together with a statement of reasons is attached to this report.

Legal basis for submitting the report: Article 38.1.11 of the Regulation of the Minister of Finance on the Stock Exchange