Questions put to the Management Board of the Company by shareholder Artur Kluczny (representing one vote) at the Annual General Shareholders Meeting of LW Bogdanka S.A. on 18 June 2015 with respect to item 5 of the agenda – Review of the Financial Statements and Directors' Report on Operations of Lubelski Węgiel BOGDANKA S.A. for the financial year 2014

The information is provided pursuant to Article 428.5 of the Commercial Companies Code

1. *"In Directors' Report, the Management Board is giving the credit to itself for an increase in the Company's net capacity to 10.5 and even 11.5 million tonnes. It was connected with considerable capital expenditures. Please explain what exactly was the amount of costs incurred to continue that investment programme and if they were reasonable, as the significant oversupply of power coal was a well-known fact as soon as in the end of 2013 (statistics published the Ministry of the Economy, a report by Roland Berger company).*
   For what purpose, in 2014, did you:
   - *purchase the sixth panel complex and the Deilmann-Haniel mine face coal-cutting machine;*
   - *start new excavating teams;*
   - *award contracts for preparatory work in access excavations under the single-source procurement procedure;*

   as the Management Board should be fully aware of the situation in the low calorie steam fine coal market – the key product of the Company (declining demand from the commercial power industry; oversupply from Upper Silesia mines)? I wish to quote Mr Z. Stopa, President of the Management Board, from his interview with "Parkiet" on 11 June: "There is no room to sell more coal to Poland's commercial power sector. Its demand is fully covered by suppliers."

The detailed information on capital expenditures (divided into particular task groups and finished products) is presented in quarterly reports, which are available on the Company's website.

Statistics published by the Industrial Development Agency (*Agencja Rozwoju Przemysłu S.A.*) indeed show that coal inventories have been growing significantly since 2013, and this regards especially the mines from Kompania Węglowa S.A.

However, we do not know the Roland Berger report from 2013. We believe it was prepared for Kompania Węglowa S.A. as a confidential document and has never been declassified. Therefore, we cannot comment on it.

LW Bogdanka S.A. ("Company") has its own analyses of both Polish and global coal markets.
And both in Poland and in the world, hard coal will remain the main fuel for commercial power plants in the long run.

The “Energy Security and Environment Strategy – 2020 Outlook” assumes that “Poland’s power sector was, is and will be reliant first and foremost on coal throughout the strategy timespan.”

However, our analyses from 2013 showed that – in the period until 2020 – the demand for steam fine coal will be in a slight decline in Poland.
The main reasons behind such decline in demand include:
- in the commercial power sector – progress in the renewable energy segment, an increase in use of lignite and a continuous improvement in power unit efficiency;
- in the district heating sector – development of gas-fuelled cogeneration and thermo-modernization of buildings;
- in the industry and industrial power plants – a decline of power consumption and an increase in use of gas;
- in the consumer segment – an increase in demand was foreseen.

The factors identified as threats to a stable demand for coal included: the dynamic growth of renewable energy, an increase in the costs of CO_2 emissions and the development of nuclear power in Poland.

The coal oversupply issue was not perceived as a risk to the Company, which was, and still is, the leader in Poland’s market in terms of efficiency and operates on the basis of long-term contracts. It was assumed, however, that there is an efficient market which reward suppliers by their natural competitiveness. In a market economy there is a simple mechanism which regulates oversupply – a reduction or discontinuance of production by market players with the highest costs. For the same reasons, as an opportunity for, among others, KW S.A., the development of excavation of thick coal and coking coal was pointed to, with a concurrent reduction in production of steam fine coal by 5-10 million tonnes a year, depending on the pace of market changes in the future.

The forecasts from 2013 showed that the price of steam fine coal would be in the range of PLN 10-12 per GJ in 2015, which would enable the Company to run and develop its business very effectively.

Despite unfavourable changes in Poland’s market, global factors indicated a stable or even growing trend in coal prices in world markets. A prevailing view was that the demand from Asia will keep growing and the overproduction in the U.S.A. (triggered by the shale gas revolution) and Columbia will be redirected to Asian markets (extension of the Panama Channel). Prices in the ARA markets were to be stable, also because of the expected increase in oil and gas prices.

By mid-2014 there were no reasons for the Company to reduce its production or to revise its strategic development plans. According to forecasts the market was to stay competitive, with prices stable at a level satisfactory to the Company. In such circumstances an increase in production should ensure a further cost reduction and the Company’s sales of coal were determined at a level of 10.5-12 million tonnes a year over 2014-2016.

Taking the above factors into account, the Company continued the last stage of the project to double its capacity (Stefanów Field), i.e. the construction of the mechanical processing plant, which was started up in the third quarter of 2014. We wish to remind you that the production level was 2.6 million tonnes in Q4 2014.

In 2014 the Company awarded no contract for preparatory work in access excavations under the single-source procurement procedure.

The Company bought the fourth (not sixth) panel complex for low seams in order to ensure the continuity of excavation, as determined in the Operational Plan and the wall run and strengthening schedule.
The Company bought the Deilmann-Haniel mine face coal-cutting machine in order to increase the pace of construction of large cross-section longwall galleries.

2. *"In this context, please explain if and to what extent any activities were carried out in 2014 to optimise the costs of the Company's operations. I have the impression that the Management Board started to talk about the need to cut costs and to reduce the headcount and expenditures only in the second quarter of the current year."*

The Company has been the most advanced and most cost effective hard coal mine in Poland for years. Regardless of this status, we always search for possibilities to reduce costs even further, which was one of the pillars of our strategy published in 2013.

In anticipation of changes in the coal market the Management Board adopted a cost optimisation programme in June 2014 with a further improvement in the Company's effectiveness and a deeper cost reduction as its main objectives. The programme included, among other things, activities oriented towards the optimisation of production, sales, logistics and management processes. Those initiatives were carried out as projects within the framework of the implement project management system. These activities led to an actual 12% decrease in the Unit Mining Cash Cost in 2014 versus 2012, despite difficult geological conditions in Stefanów headings in the second and third quarter of 2014.

Already the first business plan adopted for 2015 provided for a reduction in capital expenditures, among other things for the upgrade of shaft 1.5 in Nadrybie, which was to ensure the further growth of production capacity. Subsequent revisions of the 2015 plan led to its reduction to PLN 440 million, i.e. by more than PLN 140 million compared to original assumptions.

In connection with a considerable deterioration in the market situation in the beginning of 2015 the Company is planning a staff reduction by more than 400 people.
If the unfavourable trend is continued and the Company has to trim down its production in the period until 2020, it will implement Stage 2 of the restructuring programme. It assumes a modification of the production plan so that fixed costs are decreased, on the basis of the production plan assuming 8-8.5 million tonnes a year over 2016-2020, by:
- decrease in the average number of walls from 6 in 2014 to 4 in 2017;
- decrease in the number of production units from 6 to 4;
- decrease in the number of preparatory work teams from 5 to 3;
- continued, gradual reduction of permanent staff, resulting from the above assumptions, to the level that would be optimised to planned output.

If the adverse scenario continues the annual average capital expenditures of the Company may be reduced to about PLN 340 million in 2016-2020, i.e. they will be lower by PLN 260 million comparted to the level assumed in the Operations and Development Strategy for 2014-2020, which was adopted in 2013.

The goal of continued cost optimisation efforts is to maintain the unit mining cost at the level achieved in 2014, despite a deep decline in output and sales.

The Company will retain the possibility of flexible management of its capacity until mid-2016, i.e. to increase its annual output to 10.5-11.0 million tonnes in case the market situation improves or new clients are acquired.

3. *"Please answer a question about the implementation of the Company's sales strategy in 2014, the main goal of which was to keep increasing the share in the power coal market and to compete directly with Kompania Węglowa in the low calorie steam fine coal.*
   To remind you: 170 and 200 million tonnes of power coal were imported to EU markets in 2013 and 2014, respectively. Only in the German market such imports rose from 47.9 million tonnes in 2012 to 56.2 million tonnes in 2014. Why did the Management Board fail to diversify the sales of the Company's products geographically over those 2 years? And what are the exact achievements of diversification in terms of sales in various thermal coal markets?"

Since 2013, the sales strategy of the Company has assumed intense efforts to expand the number of buyers of the Company's coal in various market segments, both in Poland and internationally. Several programmes have been implemented to increase sales in the heating fuel market and to networks of authorised coal distributors. The Company actively participates in tender and bidding procedures arranged by selected end buyers throughout Poland. Those activities are supported by regional sales managers, within a re-organised structure of the sales division. The Company has also initiated efforts to attract new large clients from the commercial and industrial power sectors and from the heating sector in areas not explored by the Company so far mainly because of quality- or production-related restraints. Those activities have been successful as the client base of the Company has been expanded by a few hundreds of new recipients, both end buyers and intermediaries, from various market segments. Relationships have also been established with new foreign clients, to which the Company is already exporting its products in 2015.

We believe that we will win more new clients from Poland and other countries in the future. Our initiatives are long-term projects.

We cannot provide more details as such information is our business secret.

4. *"Was it reasonable to start an open war against Kompania Węglowa, including the letter to the European Commission, the complaint submitted to the Office of Competition and Consumer Protection, the accusations against the Government in the media, if the Company has not initiated any other active sales-supporting projects? Are the plans of expansion into the Ukrainian market feasible? Is this*

opinion of President K. Sędzikowski justified: "Exports are the only hope for Poland's market which is contending with a huge oversupply of coal. And the management board of other companies criticize our sales policy only to cover their ineptitude?"

The Company has started vigorous activities in Poland and other countries to promote the sales of coal.

The Company is not waging war against Kompania Węglowa. It only exercised the right to protect its interests from unfair competition and, therefore, presented its position and reservations to competent national and European authorities. KW S.A. is directly approaching clients of the Company, offering them prices that are significantly below those charged in relationships with other clients of KW S.A. And those differences are not connected with the quality of coal or other terms of supply.

The current situation in the coal market, which is enfeebling the market participants who play by market rules, may turn out to be disastrous for the whole industry. KW S.A. can sell its coal below the breakeven level only because it is waiting for "coal subsidies", which must be deemed forbidden state aid. And state aid also includes the postponement of tax or social security arrears and other support by the government if such assistance does not meet certain criteria. The Company believes that this is the case of aid provided by Poland's government to KW S.A. and, as a result, such activities would require approval by the European Commission, which, in the light of the EU law, would be difficult to substantiate.

In the present circumstances coal exports could partially resolve the problem of oversupply in Poland's market. However, this is not a panacea for the catastrophic situation of the Polish mining sector. The primary solution should be the discontinuance of unprofitable production and sales below the breakeven level. If this practice is continued both Kompania Węglowa and other mining companies operating in Poland's market will be heavily hit.

5. *"After a performance improvement in the first quarter, one could assume that the production, purity and quality of output from seam 391 significantly exceeds those parameters for the previously used seams. Does the Management Board believe that the output from seam 391 leads to the creation of a new product, of considerably better quality, which can be sold in new segments of the coal market?"*

In January 2015 the first wall of seam 391 was started. It was not used before and is situated beneath seam 382, which was previously in use. The new wall was commenced as a result of closedown of seam 382 in the Bogdanka Field, after 30 years of excavation, from which the mechanical systems and excavation teams were relocated. Seam 391 in V field is advantageous (about 2.5 meters) and similar to seam 382 in the Bogdanka Field, which is the best justification of use of the same wall machines.

In addition to its favourable thickness, seam 391 in the V field has low interlayers and these are the main factors leading to good quality of coal from the first wall started in this seam.

It should be noted that both seam 391 and seam 389 have variable thickness. There are also some differences in the type of coal. The prospecting works carried out in the mine show that those seams mainly contain power coal and there is no ground to consider seam 391 a resource basis for a new product.

However, the Management Board refuses to provide more details as such disclosures of technological secrets is against the interest of the Company, especially as the shareholder requesting information about the Company is a member of the management board of the Company's competitor, i.e. PD Co sp. z o.o.

6. *"What mitigating activities did the Management Board initiate to defend the market value of the Company and to reverse the declining trend of the Company's shares?"*

Those activities are described in sections 2, 3 and 4 above.

In addition the Company has been running extensive informational campaigns to present the market situation and activities initiated to minimise its impact on the Company's operations. Since the beginning of the year the Management Board and Investor Relations staff have held numerous meetings with investors and analysts. The Company has commented on various events via current reports, press conferences, press releases and interviews with press agencies and journalists, and on chats with individual investors.