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Bogdanka, 9 June 2015

Annual General Shareholders Meeting of Lubelski Węgiel Bogdanka S.A.

MOTION REGARDING THE DISTRIBUTION OF NET PROFIT FOR 2014

The Management Board of Lubelski Węgiel Bogdanka S.A. hereby submits a motion along with a statement of reasons therefor adopted on 9 June 2015 by virtue of resolution no. 689/VIII/2015 regarding the distribution of net profit generated by the Company in 2014 in the amount of PLN 272,942,404.07.

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.

Statement of Reasons

The Management Board suggests that the distribution of profit should involve establishing reserve capital for dividend payments to be injected with the amount of PLN 102,040,770.00, and the remaining portion of the net profit, i.e. the amount of PLN 170,901,634.07, should be allocated to the Company's supplementary capital.

On 5 May 2015, the Management Board presented its recommendation regarding the distribution of profit for the financial year 2014 and suggested that the amount of PLN 102,040,770.00 (37.5%) should be allocated to the dividend for shareholders, and the amount of PLN 170,901,634.07 (62.5%) should be allocated to supplementary capital.

In connection with further adverse changes in the coal market observed recently, as well as development perspectives of the market in 2016-2017, the Company's Management Board is forced to change the above mentioned recommendation.

The Management Board sees a substantial risk of the Company experiencing a further reduction in the volumes of commercial coal sales in 2015 as a result of the continued oversupply on the Polish market, aggressive price cutting by the competitors, and public aid for Kompania Węglowa S.A. which was declared by the government.

The Management Board is of the opinion that the selling opportunities affecting the production level will, according to recent forecasts, amount to 8.5 million tonnes and will be significantly lower than the existing production capacity of the mine in the range of 10.5 to 11.5 million tonnes. The capital expenditure plan also needs to be amended. In 2015, it will amount to approx. PLN 460 million, instead of the planned PLN 503 million.

In connection with the reduction of the expected sales volumes, the forecasts suggesting that there will be further pressure on coal prices resulting from the aggressive price policy of Kompania Węglowa S.A. which is subsidised by the government, the Management Board has decided to introduce a restructuring plan at the Company. The primary objective is to secure the financial liquidity in the long-term by means of optimising the production schedule, significant reduction of the permanent headcount and outsourced services, limiting the investment expenditures and maintaining the unit costs on the current level despite the decrease in production.

Therefore, the Management Board recommends that the Company's net profit for 2014 be distributed as follows:

- 37.5 % for the reserve capital to be allocated to dividend payments;
- 62.5 % to the supplementary capital.

The adoption of the suggested distribution of profit will allow the Company to maintain a safe financing structure, secure its current needs and finance the investments necessary to preserve production continuity.

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.

In the light of the above, the Management Board requests not to adopt a resolution regarding the establishment of the dividend date and the dividend payment date.