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w Lublinie z siedzibą w Świdniku, VI Wydział Gospodarczy Krajowego Rejestru Sądowego
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Bogdanka, 5 May 2015

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

MOTION ON THE DISTRIBUTION OF NET PROFIT FOR 2014

The Management Board of Lubelski Węgiel Bogdanka S.A. hereby files a motion, along with substantiation, adopted on 5 May 2015 by virtue of Resolution No. 522/VIII/2015, regarding the proposed distribution of net profit generated by the Company in 2014, in the amount of PLN 272,942,404.07.

The Management Board moves that the net profit generated by the Company in 2014 amounting to PLN 272,942,404.07 (two hundred seventy-two million nine hundred forty-two thousand four hundred and four zlotys 07/100) be distributed as follows:

- The amount of **PLN 102,040,770.00** (one hundred two million forty thousand seven hundred and seventy zlotys) – allocate for a dividend, i.e. **PLN 3.00** (three zlotys 00/100) **per share**.
- The remainder, i.e. **PLN 170,901,634.07** (one hundred seventy million nine hundred one thousand six hundred and thirty-four zlotys 07/100) – allocate for supplementary capital.

Substantiation

The Management Board proposes that the profit be distributed in such a manner that the amount of PLN 102,040,770.00 is allocated as a dividend for the shareholders, i.e. PLN 3.00 per share, which means 37.5% of the consolidated net profit generated by **the LW Bogdanka Group in 2014**. The remainder of the net profit, i.e. the amount of PLN 170,901,634.07 will be allocated to the supplementary capital of the Company.

The dividend policy for 2013-2015, as announced in 2013, being a part of the approved “Development Strategy for LW Bogdanka for 2013-2020”, provides for profit distributions to shareholders in the Company equal to 60% of the Company's consolidated net profit.

Due to the material adverse changes to the market situation and the development prospects for 2015-2016, the Company's Management Board is forced to waive the provisions of the dividend policy with respect to the recommended dividend for 2014.

The Management Board sees significant risks for the Company connected with the following:

- declining global coal prices (prices in ARA ports – below USD 60),
- high coal stocks in mines and power plants,
- continued oversupply on the Polish market,
- aggressive price cuts by the Company's competitors,
- state aid planned by the government for entities competing with the Company on the domestic market.

It is assumed that sales of commercial coal in 2015 will amount to 9.3-9.5 million tonnes and will be significantly lower than the mining plant's annual production capacities of 10.5-11.0 million tonnes.

Due to the reduction of the planned sales volumes and lack of stable coal prices, the Management Board has decided to implement another phase of costs and investment outlays optimisation, which will consist in:

- limiting investment outlays, primarily by reducing construction of new galleries by ca. 5.1 kilometres (in accordance with the new production assumptions for 2015-2016),
- reducing “fixed employment” by 145 persons on an annual average basis and by over 350 persons at the year-end compared to 2014,
- lowering the average monthly remuneration by 2.3 %, to the same level as in 2013,

- reducing costs of contracted services.

In accordance with the material and financial plan adopted for 2015, the planned investment outlays of the Company will amount to no more than PLN 483 million, while cash expenditures for purchases of property, plant and equipment and intangible assets, with account taken of the payment for the fourth wall-ploughing complex – no more than PLN 592 million.

Completion of investments at the indicated level will ensure that the adopted objectives will be achieved, the latter including primarily:

- maintaining the production potential at a level of ca. 9.5 million tonnes,
- doubling the mine's resources and lifetime to around 2050 by obtaining a licence for and utilising new promising areas (increasing the mine's recoverable reserves from approx. 237 million to approx. 500 million tonnes);
- strengthening the Company's well-established position as the main supplier of coal, particularly to the commercial power industry by retaining a 15% share in sales of power coal in Poland in 2015;
- remaining the mining leader of efficiency.

Due to the above, the Management Board recommends a dividend of 37.5% of consolidated net profit for 2014.

The proposed dividend level of PLN 3.00 per share results from:

- a need to assure liquidity and financial viability at a safe level,
- maintenance of debt level as declared (interest bearing debt plus non-current employee liabilities / EBITDA) < 1.5
- maintenance of available financing as “security” in case that major risks materialise within the next 12 to 18 months.

The proposed level of dividend will allow the Company to secure the Company's needs and finance necessary day-to-day investments on the one hand, and to ensure a return of investment in its shares for its shareholders by making dividend payments at an above-average level in the coal mining industry on the other.

Allocation of ca. 62.5% of the consolidated net profit to the supplementary capital will allow the Company to maintain a safe structure of financing its operations.

Due to the necessity to gather funds for the dividend payment for 2014, the Management Board proposes to set the dividend date for 17 September 2015, and the dividend payment date for 8 October 2015.

Considering the above, the Management Board requests as first above written.