LUBELSKI WĘGIEL „BOGDANKA"
SPÓŁKA AKCYJNA

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Wysokość kapitału zakładowego i kapitału wpłaconego Spółki **170.067.950,00 PLN**
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Bogdanka, 25 May 2016

Annual General Shareholders Meeting
Lubelski Węgiel Bogdanka Spółka Akcyjna

MOTION ON COVERAGE OF NET LOSS FOR 2015

The Management Board of Lubelski Węgiel Bogdanka S.A submits a motion, along with a rationale, accepted on 25 May 2016 by virtue of Resolution No. 528/IX/2016, on coverage of net loss incurred by the Company in 2015 amounting to PLN 278,029,548.37.

The Management Board recommends that the net loss for 2015 amounting to PLN 278,029,548.37 (two hundred seventy-eight million twenty-nine thousand five hundred and forty-eight zlotys 37/100) be covered in full from the Company's reseve capital and cecommends that divident is not paid from capitals created from last years' profits.

RATIONALE

In 2015 the Company disclosed net loss of PLN 278.0 million as a result of applying impairment charge of PLN 624.8 million with respect to impairment loss of non-current assets and intangible assets.

The Company has at its disposal reserve capital created from profit which, under Article 396.5, may be allocated to covering a balance-sheet loss.

In relation to material adverse changes in market situation and no prospects for growth in 2015-2018, the Company's Management Board was forced to modify the assumptions of its dividend policy already with respect to recommendation as to dividend payment for 2014.

The Management Board is aware of the risk of further falls in coal prices and limited possibilities of placing it on the market, and the resulting failure to use production capacities by the mine in 2016-2018. The situation described above has mostly been affected by:
- high level of inventories in mines and power plants,
- coal oversupply on the Polish market,
- drop in global prices in of power raw materials (coal prices in ARA ports - below USD 50).

According to the Management Board assessment, sales capacities which affect production level, may be around 8.5 million tonnes and will be significantly lower than the current production capacities of the mine (10.5 million tonnes).

Considering the limited sales and unstable coal price situation, continuation of the policy which assumes securing financial liquidity in a long term was defined as a main goal; the policy consists in:
– optimisation of the production plan,
– reducing outsourced services,
– reducing capital expenditure, mainly by building less new galleries (in accordance with new production assumptions for 2016-2017),
– maintaining, at least until the end of 2016, the average basic monthly remuneration at a level of 2013,
– reducing costs of third-party services.

In accordance with the adopted material and financial plan 2016, the planned value of the Company's investment expenditure will amount to no more than PLN 432 million, and cash expenditure for the purchase of non-current assets – not more than PLN 400 million.

Performance of investments at the indicated level will ensure that the following goals will be attained:
– to maintain and develop production capacity;
– to double the mine's resources and lifetime beyond 2050 by obtaining a licence for and utilising new promising areas (increasing the mine's recoverable reserves);
– to strengthen the Company's well-established position as the main supplier of coal, particularly to the commercial power industry - maintaining the existing share in sales of power coal in Poland in 2016;
– to keep the position of being an efficiency leader in the mining industry.

The Management Board's motion is a result of:
– the necessity to ensure current access to cash at a level guaranteeing safe conduct of operations,
– maintaining the debt at a declared level (interest-bearing debt and long-term employee liabilities / EBITDA) < 1.5,
– maintaining available financing during three years to follow.

Considering the above, the Management Board submits the above motion.