



LUBELSKI WĘGIEL „BOGDANKA”

SPÓŁKA AKCYJNA

Adres siedziby: Bogdanka, 21-013 Puchaczów (PL)
Centrala telefoniczna: +48 81 462 51 00, +48 81 462 51 01
Faks: +48 81 462 51 91, +48 81 462 56 17
<http://www.bogdanka.eu>, e-mail: bogdanka@lw.com.pl

NIP 713-000-57-84, REGON 430309210, KRS 0000004549 - Sąd Rejonowy Lublin-Wschód
w Lublinie z siedzibą w Świdniku, VI Wydział Gospodarczy Krajowego Rejestru Sądowego
Wysokość kapitału zakładowego i kapitału wpłaconego Spółki 170.067.950,00 PLN
KONTO: PEKAO S.A. III O/LUBLIN - 88 1240 2382 1111 0000 3893 3280

Bogdanka, 9 May 2017

Annual General Shareholders Meeting of Lubelski Węgiel Bogdanka Spółka Akcyjna

MOTION ON THE DISTRIBUTION OF NET PROFIT FOR 2016

The Management Board of Lubelski Węgiel Bogdanka S.A. hereby submits a motion along with a substantiation thereof adopted on 9 May 2017 by virtue of Resolution No. 505/IX/2017 regarding the proposed distribution of net profit generated by the Company in 2016 in the amount of PLN 175,896,313.75.

Acting under Article 396.4 of the Commercial Companies Code and Article 12.1.1 of the Company's Articles of Association, the Management Board requests the Annual General Shareholders Meeting of Lubelski Węgiel BOGDANKA S.A. in Bogdanka to allocate the net profit for 2016 in the amount of PLN 175,896,313.75 (one hundred seventy-five million eight hundred ninety-six thousand three hundred and thirteen zlotys 75/100) as follows:

- **the amount of PLN 34,013,590.00** (thirty-four million thirteen thousand five hundred and ninety zlotys 00/100) – to a dividend, i.e. **PLN 1.00 per share**.
- The remaining **amount, i.e. PLN 141,882,723.75** (one hundred forty-one million eight hundred eighty-two thousand seven hundred and twenty-three zlotys 75/100) – to the Company's reserve capital.

Substantiation

In accordance with the development strategy until 2025 (perspective until 2030) adopted in the first quarter of 2017, the intention of LW Bogdanka S.A. is to remain a dividend company in the medium- and long-term perspective. In the future, the Management Board intends to request the General Shareholders Meeting to pay a dividend of up to 50% of the net profit shown in the Company's separate financial statements, prepared in accordance with the International Financial Reporting Standards.

Given the current situation on the coal market, the prospects of generating operating cash flows, the progress of investment projects planned for 2017 and the projected level of the Company's debt, the Management Board recommends that 19.34% of the net profit generated by LW Bogdanka S.A. in 2016 be allocated to a dividend for the shareholders, i.e. PLN 1.00 per share, while the remaining 80.66% of the profit be allocated to the reserve capital.

In the light of rapid changes on the coal market, the Management Board's priority is to keep the Company secure in terms of finances and liquidity by way of optimising the Company's production plan, head count and outsourcing services, and maintaining the current level of unit costs.

The proposal for the distribution of profit was adopted as a result of such factors as higher capital expenditure compared to last year (PLN 385.6 million) related to greater demand for excavations necessary to keep the production at a level corresponding to the adopted "flexible development scenario".

Moreover, within the next few years, the Company's strategic goal is to start expanding the Mine by the "Ludwin" Mining Area ("Ostrów" deposit), which will require significant capital expenditure.

The Company is also working on a number of strategic initiatives, a few of which, if implemented, will require large capital expenditure and may affect the Company's dividend policy.

The recommended level of dividend will, on the one hand, make it possible to secure the Company's needs and finance current investments which are necessary to ensure continuous production and allow the Company to maintain a safe financing structure, and on the other hand, will provide the shareholders with an appropriate rate of return on their investment in the Company's shares.

The Management Board proposes to set the dividend date for 13 July 2017, and the dividend payment date for 2 August 2017.

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