



**LUBELSKI WĘGIEL**  
**„BOGDANKA”**  
**SPÓŁKA AKCYJNA**

**REPORT ON HOSPITALITY EXPENDITURE, MARKETING  
SERVICES EXPENDITURE, EXPENDITURE ON PUBLIC  
RELATIONS AND SOCIAL COMMUNICATION SERVICES AS WELL  
AS MANAGEMENT CONSULTING AND LEGAL SERVICES FOR  
2017**

Acting under Article 23.3 of the Articles of Association of LW BOGDANKA S.A., the Management Board hereby presents the information on hospitality expenditure, marketing services expenditure, expenditure on public relations and social communication services as well as management consulting services.

**1. Hospitality expenditure, marketing services expenditure, expenditure on public relations and social communication services.**

In 2017, the Company allocated the amount of <b>PLN 6,543,110</b> on the hospitality expenditure, marketing services expenditure as well as the expenditure on public relations and social communication services.
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The aim of the activities covered with this budget was primarily to shape a positive image of the Company among various groups of its stakeholders.

**The above scope included the following:**

- sponsoring – as the mine's tool for influencing mainly its local environment. Considering the local nature of these activities, and already as a tradition, the main beneficiary of this budget in 2017 was Górnik Łęczna S.A., which manages tournaments of the first football team that competes in Ekstraklasa (Polish premiere football league), in the spring round of the 2016/2017 season and in the 1st League (in the autumn round of the 2017/2018 season). The cooperation also involved the support to the Górnik Łęczna Sports Academy, an initiative addressed to children and young people with a view to drawing their attention to sport and social events of educational dimension, and properly forming personalities of prospective future employees of the Company. The social and cultural sponsoring activity of the Company resulted in its cooperation with organisations operating in social, cultural, scientific and technical fields, as well as with the self-government administration. The most recognisable event which the Bogdanka mine has sponsored for several years is the Lublin-based Carnival of Magicians.
- promotion, communication, PR, CSR and hospitality activities – made a promotion mix for the Bogdanka corporate brand where public relations, Corporate Social Responsibility and publicity activities were correlated with a media campaign aimed at promoting the Company's corporate image and products. It involves the direct production, creation and publication/broadcast of informative and promotional materials through various communication channels and all other activities related to the image and sales promotion.

**The rationale behind the marketing activities undertaken:**

- building of a social conviction that the changes related to the development of the mine have positive dimension and will not be pursued to the detriment of the local communities and other stakeholders which are important for the Company; conveying a clear message that the Company is an important and praised employer;
- maintaining good relations with employees, thus ensuring that the effectiveness of their work is maintained at a high level;

- satisfying expectations of the local community in the region, which is one of the poorer regions of Poland;
- activating the community of the Lublin region (in particular children and youth) into sport, social and cultural events;
- continued creation of company image as a leader of the mining industry on the Polish and European market;
- confirming credibility in the eyes of current and future business partners and investors;
- conducting appropriate public relations for the Company on both the national and regional level; Reinforcing the Company's significance for the Lublin region and Poland as a whole in the social consciousness and opinion-forming circles.

## 2. Expenditure on management consulting and legal services.

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| <p>a) In 2017 the Company did not use any management consulting services.</p> <p>b) In 2017 the expenditure on legal services totalled <b>PLN 2,682,900.</b></p> |
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No separate legal department operates within the Company, therefore the day-to-day services are provided by an external law firm. Cases which are significant for its business are also entrusted to large law firms.

Cases pending in 2017 included administrative proceedings and court & administrative proceedings related to the Company seeking the obtaining of licences and environmental decision, administrative proceedings relating to real property tax on underground excavations located in the area of the Mine, as well as a dispute before the Arbitration Court.

The expenditure on legal services include actually spent amounts for the provided services, including transport and accommodation costs and court representation fees, which are related to the pending proceedings.

The amount of the abovementioned expenditure was not adjusted of the reimbursement of costs of pending court proceedings (business, tax and employee-related) awarded to the Company, and the fees for court representation in the arbitration proceeding.