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Bogdanka, 15 May 2020

Annual General Shareholders Meeting of Lubelski Węgiel Bogdanka Spółka Akcyjna

MOTION ON THE DISTRIBUTION OF NET PROFIT FOR 2019

The Management Board of Lubelski Węgiel Bogdanka S.A. hereby submits a motion along with a substantiation therefor adopted on 15 May 2020 by virtue of Resolution No. 526/X/2020 regarding the proposed distribution of net profit generated by the Company in 2019.

Acting under Article 396.4 of the Commercial Companies Code, the Management Board requests that the Annual General Shareholders Meeting of Lubelski Węgiel BOGDANKA S.A. in Bogdanka allocates the net profit for 2019 in the amount of **PLN 306,183,753.52** (three hundred and six million one hundred and eighty-three thousand seven hundred and fifty-three zlotys 52/100) in full to the Company's reserve capital.

Substantiation

In accordance with the Development Strategy of LW Bogdanka S.A. – Mining Area of the Enea Group until 2025 (under 2030 framework), 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, as endorsed by the EU ("EU IFRS").

Given the current situation of the Company, the projected level of the Company's investment tasks for 2020 (of over PLN 640 million) and the difficult to foresee situation related to the ongoing pandemic of the SARS-CoV-2 coronavirus, the Management Board recommends that 100% of the net profit generated by LW Bogdanka S.A. in 2019 be allocated to the reserve capital.

Due to the difficult circumstances in the coal market triggered by a significant decrease in demand for power generated from hard coal caused by the particularly mild and windy winter and partly by announcing a state of epidemic in the territory of the Republic of Poland on 20 March 2020, the priority of the Management Board is to ensure financial security and liquidity of the Company. Operating in difficult market conditions resulting from temporary oversupply of coal on the market is further complicated by epidemic threats, which necessitate intensification of preventive measures taken to secure the continuity of production in the Company.

The long-term plans included in the Strategy and related to making Ostrów deposit and the newly obtained K-6, K-7 deposit available, and the plan of maintaining production at the average annual capacity provided for in the Strategy and resulting from the adopted flexible development scenario, necessitate making a significant number of excavations as well as maintaining and modernizing the machinery held. Moreover, the Company must be aware of the necessity to finance the abovementioned tasks mostly with its own resources.

In the light of the necessity to secure a safe level of cash due to the risks faced by our mining operations, the Management Board submits a motion as presented above.