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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
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Bogdanka, 19 March 2012

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

Motion Regarding the Distribution of Net Profit for 2011

The Management Board of Lubelski Węgiel Bogdanka S.A. hereby files a motion, along with substantiation, regarding the proposed distribution of net profit generated by the Company in 2011, in the amount of PLN 218,977,735.69.

The Management Board moves that the net profit generated by the Company in 2011 amounting to PLN 218,977,735.69 (two hundred and eighteen million nine hundred and seventy-seven thousand seven hundred thirty five zlotys 69/100) be distributed as follows:

- **PLN 68,027,180.00** (sixty-eight million twenty-seven thousand one hundred and eighty zlotys) – allocate for a dividend for the shareholders.
- The remainder, i.e. **PLN 150,950,555.69** (one hundred fifty million nine hundred fifty thousand five hundred and fifty-five zlotys 69/100) – allocate for the Company's reserve capital.

Substantiation

As at the end of 2011, the Company's supplementary capital amounted to PLN 548,654,950.29. Under Article 396 of the Commercial Companies Code, this amount exceeds the statutory value of 1/3 of the share capital, which exempts the Company from making an 8% profit write-off for the financial year to that capital.

The Management Board proposes to allocate 31.07% of the net profit generated in 2011, i.e. PLN 68,027,180.00, to a dividend for the shareholders, which represents PLN 2.00 per share, and the remaining 68.93% of the 2011 net profit, i.e. PLN 150,950,555.69 - to allocate to the Company's reserve capital.

According to the Company's Technical and Economic Plan for 2012, the planned value of this year's capital expenditure amounts to PLN 719 million. Investments, provided for in the Company's Technical and Economic Plan for 2012, result from the "Development Strategy of Lubelski Węgiel Bogdanka S.A. in 2011-2015 based upon extension of the Stefanów Field" currently implemented by the Company. According to the assumptions specified in the Strategy, in 2011-2015, the Company intends to make capital expenditure exceeding the amount of the current shareholders' equity.

The pursued Development Strategy of LW Bogdanka S.A. assumes the development of the Company's value by means of:

- ✓ increasing the mining plant's production capacity,
- ✓ increasing the efficiency of mining activities by cutting excavation unit costs,
- ✓ mitigating the risk connected with running mining activities by starting up the second excavation shaft.
- ✓ increase in the commercial coal yield by using the clean and selective coal mining.

A key objective of that strategy is doubling the extraction from the present level of ca. 5.8 million tonnes of commercial coal per annum, to ca. 11.5 million tonnes in 2014.

The main investments related to the enlargement of the Stefanów Field include:

- ✓ enabling and preparation of the deposit for the operation of further mining panels in the field,
- ✓ making use of full mining capacity of shaft S.2.1.
- ✓ extension of the Mechanical Coal Processing Plant, in view of doubling the plant's production capacity from 1,200 t/h to 2,400 t/h.

The plan for 2012 includes:

Gr. 1 Investments in development:

A. Investments in technical infrastructure

- ✓ completion of building storage reservoirs at shaft 2.1 in the Stefanów Field
- ✓ completion of construction facilities for the Stefanów Field area,
- ✓ extension of central air conditioning system for the Stefanów Field,
- ✓ completion of the extension of the Mechanical Coal Processing Plant for the achievement of processing capacity at a level of 2,400 t/d and extension of coal storage area.

B. Enabling coal deposits

- ✓ further drilling of longway galleries for launching a second panel in the Stefanów Field in seam 385/2.

Gr. 2 Other investments in development:

- ✓ launching stone mining through shaft 1.5 – developing the concept,
- ✓ investments in construction of the central air conditioning system in the underground part of the mine within the Bogdanka Field – preparing documentation,
- ✓ integrated production management system – wireless underground communication, GPS supervision system of the facilities within the area of mining damage.

Gr. 3 Replacement investments:

- ✓ modernisation and renovation of the existing machines and devices,
- ✓ building and modernisation of construction facilities and installations,

Gr. 4 Environmental protection

- ✓ works connected with the extension of the mining waste dump and designing the “Szczecin” water reservoir in the area of a settlement basin that arose in consequence of mining,

Gr. 5 Building and modernisation of workings in Bogdanka, Nadrybie and Stefanów fields

- ✓ drilling longway drivages to the extent necessary for new panels which are to be launched in order to maintain the extraction level, and longway drivages for enabling seam 385/2 in field II. modernisation of the 3fB storage reservoir and conversion of mining workings will be conducted.

Gr. 6 Purchase of machines and devices

- ✓ purchase of panel complexes, including purchase of a coal-ploughing complex for the second panel, as well as beginning the purchase procedure of the third coal-ploughing complex,
- ✓ purchase and installation of machines and devices – purchase of a heading complex used for drilling longway galleries in the Stefanów Field, as well as other machines and devices requiring installation in the working place, including: suspended locomotives, belt and scraper conveyors, road heading machines, self-propelled anchoring trolleys and boring rig for long holes.

Implementation of the investments referred to above, will have a direct impact on doubling the production and sale of coal by the Company, thus increasing its share in the Polish hard coal market from the existing 7.6% to 15.0%. Implementation of the investments in question will have a direct impact on an increase in the value of generated revenue and financial results, thus increasing the Company's value for shareholders. Application of state-of-the-art and highly efficient machines and devices as well as modern ploughing technologies combined with costs discipline and the economies of scale stemming from the planned increase in production will, according to the forecasts, result in reducing excavation unit costs, thus increasing accumulation (profit on the coal sales) and profitability of the conducted business activity. The above statement indicates that the Company's production will be characterised by low coal excavation costs, which will enable the Company to further strengthen the present competitive advantage in relation to other producers and make it

possible to successfully compete with both the coal of Russia and that available in ARA Ports, not to mention Polish mining plants located in Silesia. It is also of importance, that the implementation of the selected investments (including the building of the central air-conditioning system in underground workings) will result in increased safety and improvement of working conditions, thus improving the Company's efficiency through extending working hours of staff engaged directly in production, working in underground workings.

Allocation of almost 69% of net profit to reserve capital, will allow the Company to maintain a safe structure of its financing - where the increasing (as a result of pursued investments) value of tangible fixed assets will correspond to the value of shareholders' equity.

Further, it should be emphasised that the net profit for 2011, in the amount of PLN 218,978,000, as disclosed in the financial statements, is also a result of the released provision for the real property tax of PLN 46,552,000 (as described in note 19 of the Company's financial statements) and revenue on unduly paid real property tax of PLN 16,289,000.

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

1. President of the Management Board Mirosław Taras
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2. Vice-President of the Management Board Krystyna Borkowska
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3. Vice-President of the Management Board Zbigniew Stopa
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4. Vice-President of the Management Board Waldemar Bernaciak
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5. Member of the Management Board Lech Tor
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