



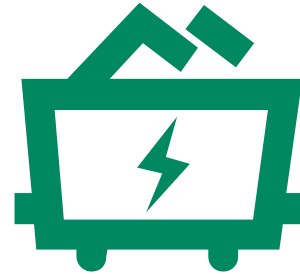
Directors' Report on Operations of the Lubelski Węgiel Bogdanka Group in 2015

Bogdanka, 21 March 2016



11.9%

Share in the hard coal market in Poland



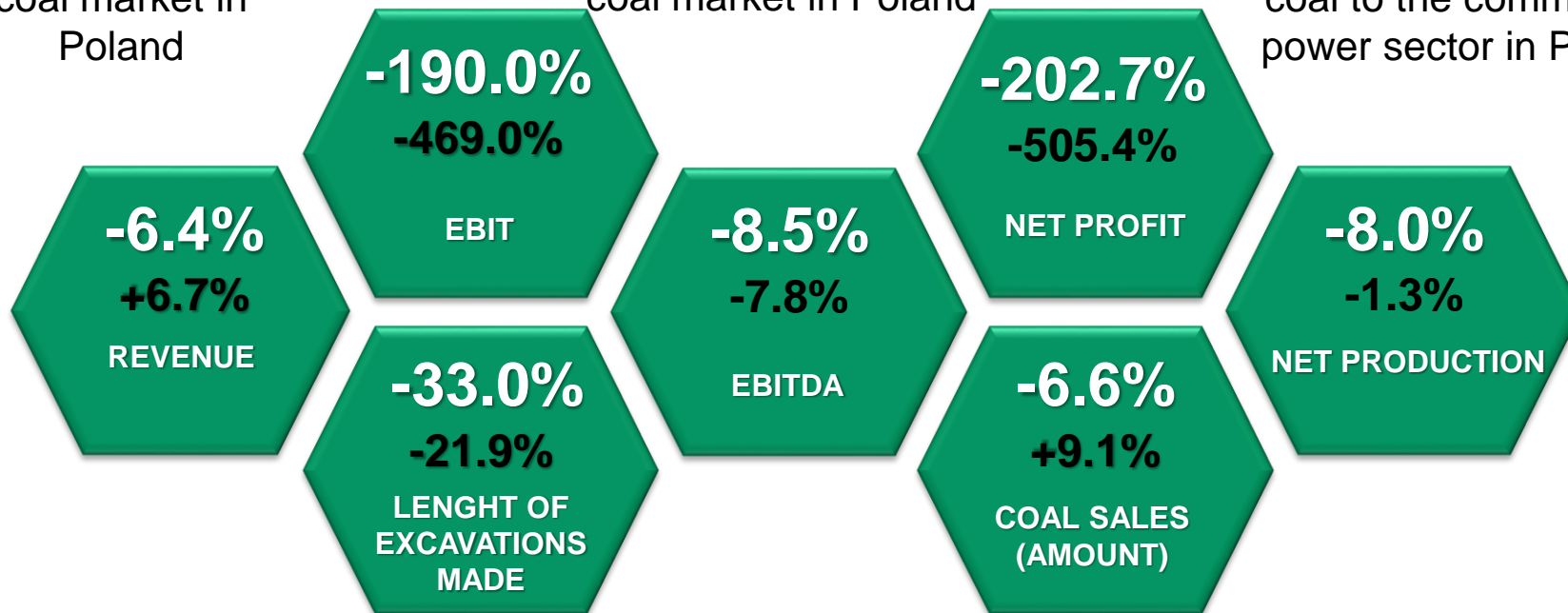
14.4%

Share in the thermal coal market in Poland



22.5%

Share in the supplies of coal to the commercial power sector in Poland



Change 2015 / 2014



Change Q4 2015 / Q4 2014



LETTER OF THE PRESIDENT OF THE MANAGEMENT BOARD



Dear Sir/Madam,

I am very pleased to present the consolidated annual report of the LW Bogdanka Group for 2015. It was an extremely complicated period for us, full of challenges that we have never encountered before, since the very beginnings of the Group. The falling coal prices, which in international markets dropped by 27% per annum to about USD 50 per tonne, thus reaching historical bottom levels, the over-supply of raw material and the huge reserves held by one of the main domestic customers, the decreased demand for coal, and the complicated situation of Silesian mines are just a few of the market circumstances we had to face in 2015.

In order to adapt to them, we were forced to review the commercial coal production plan, as a result of which we produced 8.5 million tonnes, which is 8% less than in 2014.

Optimised extraction was the key element of the plan that we implemented in 2015 to adapt the Group's operations to the selling opportunities in the increasingly more difficult market. In addition, the plan included cost reduction as well as measures aimed at the optimisation of capital expenditure and workforce.

We succeeded at implementing our plan: we generated nearly PLN 1.9 billion of revenue on sales and EBITDA of almost PLN 686.3 million. We also maintained a satisfactory EBITDA margin, which reached 36.4% in 2015 and remained at a level that is above average in the industry.

The operating results obtained in the previous year were negative, which was due to the fact that an impairment charge was applied with respect to fixed assets and intangible assets in the amount of PLN 624.8 million.

The impairment charge was a one-off accounting operation, without any impact on the current operating activities of the Group or its liquidity. Without this impairment charge, we would have generated operating profit of PLN 298.6 million and net result of PLN 226.4 million, which should be considered satisfactory, given last year's market situation.

2015 saw also significant changes to the shareholding structure of the Parent. As a result of the tender offer to subscribe for the shares of LW Bogdanka S.A. announced on 14 September by Enea S.A., Enea S.A. purchased 64.57% of these securities on 29 October, and together with its subsidiary, Enea Wytwarzanie sp. z o.o., is now holding a total of 66% of the shares of Bogdanka. Being part of a large energy group gives us new opportunities, including, primarily, a stabilisation of the level of the raw material sold and its potential increase in connection with the supplies for the new unit in Kozienice.

Our Group has always been successful at competing with its efficiency based on economic calculation. Last year was no different – Bogdanka maintained the position of cost leader among domestic producers of hard coal and the most effective mine in Poland.

We will do our best to ensure this continues to be the case in the future.

The next few years are expected to be as difficult as the previous year. There are no signs that coal prices will increase, and the situation of Silesian mines will significantly improve. Having learnt the lesson in 2015, we are well prepared to face these circumstances and challenges. We have adjusted coal production to the selling opportunities, we continue to implement the cost optimisation plan, and we maintain a safe level of financial liquidity – all of which distinguishes us in the Polish mining industry. We are also intensely involved in certain actions aimed at entering new markets, including those abroad, and acquiring new customers, especially among SMEs.

In the current difficult and volatile market situation, what we want for the Group is to ensure, on the one hand, its financial stability, and, on the other hand, flexibility of its operating activities. This will enable us, should the selling opportunities improve, to increase production and use our capacity more effectively.

The LW Bogdanka Group is the most efficient and modern mine in Poland. It has all the assets necessary to ensure that we will once again cope with difficult market conditions and strengthen our business position for the benefit of all stakeholders.

Best regards,

President of the Management Board of LW Bogdanka S.A.



1. Summary of operational activities



1. <u>Summary of operational activities</u>	4-7
<u>Selected financial data and key operating data</u>	5
<u>Key events in 2015</u>	6-7
2. <u>Organisation and business activities of the LW Bogdanka Group</u>	8-44
<u>Structure of the Group</u>	9
<u>Description of business activities</u>	10-14
<u>Development strategy</u>	14-15
<u>Undertakings and investments</u>	16-18
<u>Agreements</u>	19-22
<u>Business environment</u>	23-27
<u>Risk management</u>	28-35
<u>Natural environment</u>	36-38
<u>Workforce</u>	39-40
<u>Remuneration</u>	41
<u>Other information</u>	42-44
3. <u>Financial standing</u>	45-56
4. <u>Shares and shareholding</u>	57-63
5. <u>Governing bodies</u>	64-70
6. <u>Corporate governance</u>	71-87
<u>Glossary</u>	88-89

[For a detailed index of matters discussed in this Report refer to page 90](#)

Good financial and operating results are a consequence of optimising the LW Bogdanka Group's production capacity on a difficult market in 2015.

In 2015, the LW Bogdanka Group generated:

- net revenue of **PLN 1,885.4 million – decrease by 6.4% y/y**
- EBITDA of **PLN 686.3 million – decrease by 8.5% y/y**
- net loss of **PLN 280.0 million**

In Q4 **revenue** amounted to PLN 558.4 million (an increase of 6.7% y/y), **EBITDA** equalled PLN 228.2 million (a decrease of 7.8% in comparison with the previous year), while **net profit** totalled PLN -411.8 million.

The graph below presents factors affecting financial results of the LW Bogdanka Group:

<ul style="list-style-type: none"> • stabilisation of an average sale price y/y, due to such factors as higher coal quality • continued high efficiency despite lower extraction • implementation of a cost optimisation programme 	<ul style="list-style-type: none"> • impairment loss on the property, plant and equipment • situation on the coal market remains difficult • no possibility to use full production capacity

In 2015 the LW Bogdanka Group was consistently pursuing its cost optimisation programme, which allowed it to reduce its costs by type by **approx. PLN 180.0 million**.

The LW Bogdanka Group's investment outlays in 2015 amounted to approx. PLN 300.7 million, which is 63% less than last year. Despite intense development and simultaneous reduction of the CAPEX programme (by PLN 280 million in comparison with the initial plan), the LW Bogdanka Group retained the ratio of net debt/EBITDA on the level of 0.7.

In the previous year in comparison to 2014, the Parent reduced the extraction of thermal coal from 9.2 million tonnes to 8.5 million tonnes. The reason was to adjust production to the Parent's sales capacity.



Consistent actions towards doubling exploitable resources

At the moment, the Company is taking actions under the prospecting licence for deposits in the Ostrów and Orzechów areas, and is compiling the documentation required to submit an application for a mining licence with respect to these areas.

In 2015, the Company drilled OS-1 hole in the Ostrów area and prepared the associated geological documentation. On 10 November 2015, the Parent received the awaited decision amending the prospecting licence, which extended its validity by 12 months and enabled the drilling of two holes: OS-4 (under-shaft hole) and OS-4 bis (additional prospecting hole). At the same time, the Company is gathering documents required to submit an application for a mining licence, which included filing an Environmental Impact Report with the Regional Directorate for Environmental Protection in December. In connection with the refusal to grant a mining licence for deposits K-6 and K-7, the Company filed a complaint with the Provincial Administrative Court in Warsaw. We are currently waiting for it to be examined.

Adapting the business to the difficult market conditions

In connection with the market situation resulting from the collapse of prices in the world markets, the sell-off of stocks of coal by Kompania Węglowa, and hence significant reduction of the market for coal sales in Poland, the Company has adopted an action plan in order to adjust to the new difficulties. For this purpose, we prepared and analysed a number of scenarios for action in the short and long term. The following has been adopted as an optimum scenario:

- Continued exploitation of the Bogdanka and Stefanów Fields, commencing extraction from new Ostrów and Orzechów areas and, later on, the K6-K7 areas, making use of the existing mining infrastructure (without the need to build new shafts and increase yield);
- Limiting development investments to those essential from the viewpoint of opening new deposits, especially in the period between 2015 and 2017, and reviewing the planned investment outlays aimed at increasing production capacity until 2020;
- Optimising the level of production to reflect the market conditions, especially in the period between 2015 and 2017, at the same time increasing the yield from thicker seams

(automated mining technology);

- Optimising the long-term investors' return, taking into account market risk.

The variant selected by the Management Board is the most flexible and provides for the possibility to restore planned production growth or even to expand it.

At present the Management Board is working on a multi-variant analysis of the Group's operations, taking into account the foreseen potential coal market development scenarios (demand and prices) until 2020, which will form the grounds for drawing up a revised Strategy.

In 2015, in connection with forecasts expecting further pressure on global coal prices and oversupply on the Polish market caused by aggressive price policy of KW S.A., LW Bogdanka S.A. adopted for implementation a "conservative scenario".

The Bogdanka Group assumed as the key objective in 2015 to "secure cash" through significant savings in costs and investment plans, based on three basic elements:

- optimisation of production plan to approx. 8.5 million tonnes
- significant reduction of "permanent" employment (by 400 people) and outsourced services
- limiting investment outlays (the LWB Group) to approx. PLN 380 million

Termination of agreement by Enea Wytwarzanie sp. z o.o.

On 21 August, Enea Wytwarzanie terminated its long-term Agreement with LW Bogdanka S.A. for the supply of coal, entered into in 2010. The subject matter of the Agreement was the supply of thermal coal to the Enea Wytwarzanie S.A. power plant in Kozenice from 4 March 2010 to 31 December 2025. The Agreement was terminated by Enea Wytwarzanie under Article 13 of the Agreement, i.e. as a result of the Company and Enea Wytwarzanie failing to agree, by way of negotiation, on the price for the following calendar year (2016) on the first three consecutive negotiation dates of the four provided for in the Agreement. As a result of the termination notice submitted by Enea Wytwarzanie, the Agreement will terminate in 1 January 2018. Therefore, the prices of thermal coal supplies in 2016 and 2017 will be determined in accordance with a pricing formula based on the supply prices in the domestic and international market and on the consumer and producer price indices. The volumes of thermal coal supplies based on actual needs and arising from the Agreement are not changing in relation to the volumes contracted for these years in the Agreement before the termination notice was submitted.





Joining the Enea Group

On 14 September 2015, Enea S.A. announced a tender offer for the shares of LW Bogdanka S.A., in which it stated that it intended to acquire up to 64.57% of the total number of votes at the Parent's General Shareholders Meeting. As a result of the tender offer, Enea S.A. wanted, together with its subsidiary (Enea Wytwarzanie sp. z o.o.), to obtain 22,448,969 Shares, carrying 66% of the total number of votes at the Parent's General Shareholders Meeting. In their statements, both the Management Board of the LW Bogdanka Group and the trade unions of the Company were positive about the proposal made to the shareholders in the tender offer. On 29 October 2015, Enea S.A. acquired the number of shares declared in the tender offer, thus obtaining, together with its subsidiary, 66% of the Company's shares and the right to the same percentage of votes at the Company's General Shareholders Meeting.

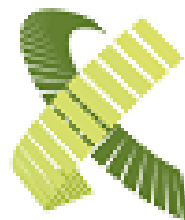


Changes in the Parent's governing bodies

The ownership changes at the Company triggered some government changes. On 16 November 2015, the following persons were appointed to the Supervisory Board: Ms Dalida Gepfert, Ms Magdalena Kaczmarek, Mr Bartosz Krysta, Mr Krzysztof Matan, Mr Paweł Orlof and Mr Michał Stopyra. As a consequence, the composition of the Management Board has also changed. On 23 November 2015, the dismissed members of the Management Board were replaced with newly appointed members: Mr Piotr Janicki as Vice-President for Economic and Financial Affairs and Mr Jakub Stęchły as Vice-President for Purchases and Investments. Due to their dismissal from the Management Board of Enea S.A., Mr Paweł Orlof stepped down as a member of the Supervisory Board of LW Bogdanka S.A. on 9 December 2015.

Obtaining the Investor-Friendly Company certificate

The Bogdanka Group has joined the group of Companies awarded by the Association of Individual Investors with the 10 out of 10 – Investor-Friendly Company certificate. 10 out of 10 – Communicate Effectively is a programme prepared by the Association of Individual Investors under the honorary patronage of the educational campaign Civic Shareholding. Invest Consciously. The programme awards companies that apply best communication practices in accordance with the expectations of investors, both in terms of form and frequency of action. To obtain the certificate, the Company had to undergo an audit, which showed that it met all the requirements laid down in the Programme's Terms and Conditions, and thus the highest standards of communication with investors.



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Bogdanka in the 9th edition of RESPECT Index

On 16 December, the Warsaw Stock Exchange announced the composition of the Respect Index (9th edition) for socially responsible companies. It contained 23 companies, including (not for the first time) LW Bogdanka S.A. The Respect Index portfolio covers Polish and foreign companies from the WSE Main Market which act in accordance with the best standards of management as regards corporate governance, information governance and investor relations, and taking into account ecological, social and employee factors. The companies that make it to the Index undergo a three-stage verification carried out by the WSE and the Polish Association of Listed Companies in the above-mentioned areas, as well as an audit conducted by the project partner – Deloitte.

The new Respect Index is valid from 21 December 2015.



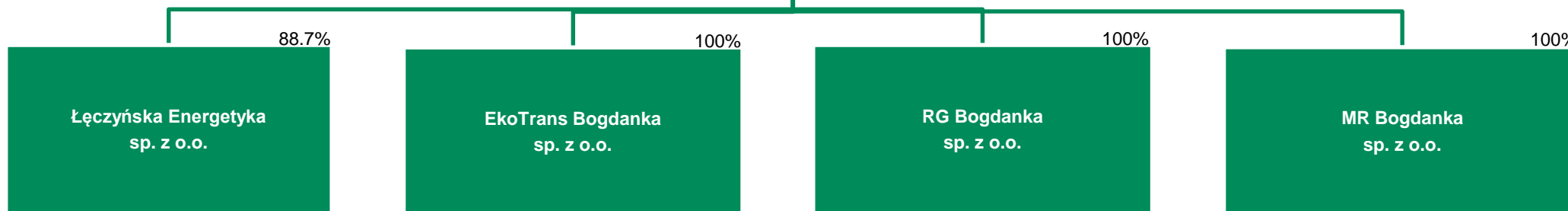


2. Organisation and business activities of the LW Bogdanka Group



Lubelski Węgiel Bogdanka Group

% of votes at the General Shareholders Meeting in Subsidiaries



Company name	Parent's share in the share capital		Share capital	Main activity
	31 Dec. 2014	31 Dec. 2015 and 21 Mar. 2016		

Łęczyńska Energetyka sp. z o.o.	88.70% (73,332 shares)	88.70% (73,332 shares)	PLN 82,677,000 divided into 82,677 shares of PLN 1,000 each	producing heat energy, refurbishing, maintaining and assembling of power production equipment, producing drinking and industrial water
EkoTRANS Bogdanka sp. z o.o.	100.00% (100 shares)	100.00% (100 shares)	PLN 100,000 divided into 100 shares of PLN 1,000 each	comprehensive transport organisation and recovery of spoil arising during coal-associated shale washing and cleaning
RG BOGDANKA sp. z o.o.	100.00% (10,000 shares)	100.00% (10,000 shares)	PLN 500,000 divided into 10,000 shares of PLN 50 each	services, deliveries and mining works for LW Bogdanka S.A.
MR BOGDANKA sp. z o.o.	100.00% (20,000 shares)	100.00% (20,000 shares)	PLN 1,000,000 divided into 20,000 shares of PLN 50 each	repairs, regeneration and production of steel constructions, providing services to LW Bogdanka S.A.

As at the date of submitting the Report, LW BOGDANKA also holds 22.41% of shares in Kolejowe Zakłady Maszyn KOLZAM S.A., the company in bankruptcy, with a share capital of PLN 750,000. The ownership title to the shares was transferred to the Company as security for settlements for the provision of transport services. That company has not been included in the consolidation.

Changes in basic management rules of LW Bogdanka S.A. and the LW Bogdanka Group

In order to make the rules of management of LW Bogdanka S.A. more precise, the following steps were taken in 2015:

- uniform text of the Social Benefits Fund Regulations was introduced;
- amended "Terms and Conditions of Coal Sales" were introduced;
- an Integrated System was introduced to incorporate the existing Security Management System (SMS) and the newly-

established Maintenance Management System (MMS) in Railway Transport and internal regulations of a railway carrier of Lubelski Węgiel Bogdanka S.A.;

- rules of planning purchases of real properties by the Company and rules of procedures for the acquisition of real properties were formulated;
- a Representative for Railway Transport Maintenance Management System at the Company was appointed;
- a procedure for managing property, plant and equipment, as well as intangible assets was introduced;

- new Employment Regulations and Rules for Awarding Sales Representatives of the Company's Sales Department were introduced.

The Company has updated its existing documentation and introduced the new ones in order to increase transparency and streamline a delivery service process.



Name and registered office of the Parent

Lubelski Węgiel Bogdanka Spółka Akcyjna

Address: Bogdanka, 21-013 Puchaczów, woj. lubelskie
Phone: +48 81 462 51 00, +48 81 462 51 01
Fax: +48 81 462 51 91
www: www.lw.com.pl; www.ri.lw.com.pl
REGON: 430309210
NIP: 713-000-57-84
E-mail: bogdanka@lw.com.pl



Legal form and regulations which provide a basis for the Parent's activities

LW Bogdanka S.A. is a joint-stock company operating under the laws of Poland.

The Company operates on the basis of legal acts which include the following:

- Act of 15 September 2000 – Commercial Companies Code
(Dz. U. [Journal of Laws] of 2000, No. 94, item 1037, as amended)
- Act of 9 June 2011 – Geological and Mining Law
(Dz. U. [Journal of Laws] of 2011, No. 163, item 981, as amended)

The founder of the Company is the State Treasury, represented by the Minister of the State Treasury.

The Company may operate in Poland and abroad.

The Company was established for an indefinite term.

History in Brief

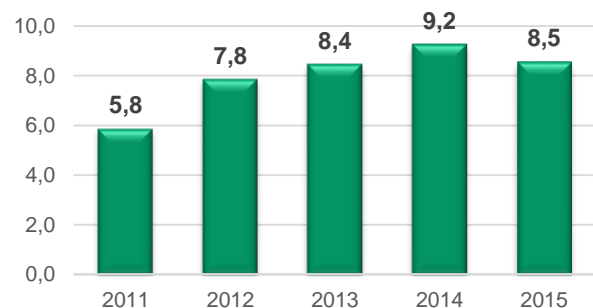
- 17 January 1975 – decision on construction of a pilot and excavation mine in Bogdanka. Bogdanka was one of the seven mines which were to be built in the Lublin Coal Basin, but ultimately it turned out to be the only one to materialise after the project was suspended.
- 1 March 1993 – transformation of a state-owned enterprise into a company wholly owned by the State Treasury operating under the business name: Kopalnia Węgla Kamiennego Bogdanka S.A.
- 29 December 1994 – in performance of a bank settlement, as a result of debt conversion, KWK Bogdanka S.A. ceased to be a company wholly owned by the State Treasury, as the new shareholders (creditors) took up 4.0% of shares in the Company.
- 25 June 2009 – debut on the Warsaw Stock Exchange.
- 9 March 2010 – the State Treasury sold 46.69% of shares in the Company on the Stock Exchange. Therefore, it ceased to hold a majority in the Company's share capital.
- 4 January 2012 – 3,208,111 employee shares were introduced to trading on the Warsaw Stock Exchange.
- 4 February 2013 – another lot of 34,754 shares were introduced. LW Bogdanka's public float totals 34,013,455 shares. As at the date of publishing this Report, the remaining 135 shares are registered shares.
- 14 September 2015 – Enea S.A. announced a tender offer for the shares of LW Bogdanka S.A., in which it stated that it intended to acquire up to 64.57% of the total number of votes at the Company's General Shareholders Meeting.
- 29 October 2015 – LW Bogdanka S.A. became part of the Enea Group.





Activities of the LW Bogdanka Group

In 2015 the LW Bogdanka Group extracted 8.5 million tonnes of hard coal, which accounted for 15.8% of total thermal coal extraction in Poland.



The Bogdanka Group has three excavation fields:

- Bogdanka
- Nadrybie
- Stefanów

The core business of the Parent is the production and sales of hard coal, and especially thermal fine coal. In 2015, the coal production structure was as follows:

- fine coal – 98.7%
- nut coal – 0.7%
- pea coal – 0.6%



Key customers

As a supplier, the BOGDANKA Group mainly cooperates with industrial customers from eastern and north-eastern Poland. The market is stable and sales transactions are based on long-term agreements. The LW Bogdanka Group sells its coal mainly to commercial and industrial power plants.

The largest customers of the LW Bogdanka Group include:

- the Enea Group – Elektrownia Koźienice S.A. – about 42% of revenue
- ENGIE Energia Polska S.A. – about 20% of revenue
- Energa - Elektrownie Ostrołęka – about 11% of revenue
- PGNiG Termika S.A. – about 9% of revenue

The LW Bogdanka Group strives to ensure that its commercial proposal meets the needs of its customers. The Group is aware that products offered by the mine must meet the relevant requirements and the customers' needs, but also need to be affordable.





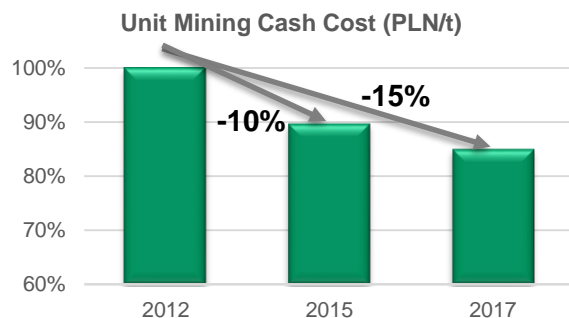
Activities of the LW Bogdanka Group

Cutting-edge technologies

The Parent cares for its employees' safety and for the environment. It utilises the most advanced technologies and world-class machines and equipment in its extraction processes. As a result, it is the leading mine with the highest efficiency and effectiveness ratios in Poland. LW Bogdanka S.A.'s underground efficiency rate is twice as high as the average for Poland's coal mining sector.

Cost control

The Parent is still the efficiency leader in Poland's mining sector. Its strategy assumes a 15% reduction of the Unit Mining Cash Cost by 2017, compared to the 2012 level, in real terms. The Company consistently implements the Cost Optimisation Program. In 2014, it achieved a 10.0% real decline in the Unit Mining Cash Cost, compared to 2012.



New deposits

In 2015, we continued to work on converting the prospecting licence into a mining licence for the Ostrów and Orzechów deposits, which would allow it to make an additional use of about 400 million tonnes of exploitable resources. The Parent also continues its efforts to obtain a mining licence for the K6-K7 area. On 12 December 2014 the Company filed a complaint with the Provincial Administrative Court in Warsaw against the decision of the Minister of the Environment refusing to grant the licence.

Towards a Smart Mine

We have built our success on smart solutions. We would not have achieved this without:

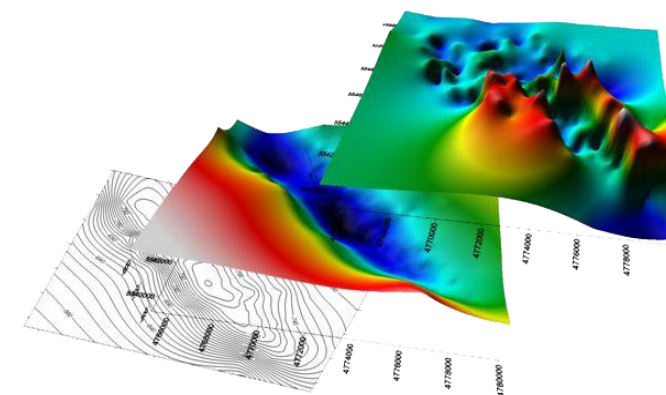
- Our staff – highly skilled, sharing our advanced technology-oriented culture, and focused on efficient cooperation and common goals;
- Our machines and equipment – highly efficient, reliable, energy saving, well chosen to existing geological and mining conditions, and enabling the mechanisation of both core mining and various auxiliary operations;
- Our efforts to eliminate hard physical work and dangerous work as far as possible by way of mechanisation and automation of underground work wherever feasible, including various auxiliary operations;
- Our leading-edge computer systems implemented in a variety of areas of mining operations to streamline technology processes, to monitor machines and equipment and to plan production, identify risks, etc. – with an overriding aim to increase the effectiveness of operations of our mine.

We have a deposit management system as the only underground mine in Poland:

- Digital deposit model (so far the only one in Poland's hard coal mining industry);
- Digital maps of mine excavations;
- Digital timetable of opening, preparatory and extraction works.

As part of the program, efforts are currently underway to develop:

- Decision-support system in the process of preparing deposits for extraction;
- Map of underground infrastructure facilities;
- Central database.





Production potential of the LW Bogdanka Group

The mining area exploited by the LW Bogdanka Group is divided into three mining fields:

- Bogdanka Field
- Nadrybie Field
- Stefanów Field

Shafts of the mine are located in:

- Bogdanka
- Nadrybie
- Stefanów

While the lifting shafts are located in:

- Bogdanka
- Stefanów

On 6 April 2009, the Parent obtained a hard coal mining licence for Bogdanka covered by the “Puchaczów V” mining area (seams 382, 385/2, 389 and 391) with the area of 73.3 sq. m, located in the Communes of Cyców, Ludwin and Puchaczów in the Lublin Province.

In addition, on 17 June 2014 the Company obtained a hard coal mining licence in the “Lublin Coal Basin - area K-3” deposit, covered by the “Stręczyn” mining area (seams: 379/2, 385/2, 391) with the area of 9.38 sq. m, located in the Communes of Cyców and Puchaczów in the Lublin Province.



Deposit reserves of hard coal in Bogdanka updated as at 31 December 2015.

Reserves [million tonnes]	year			Difference 2015-2014
	2013	2014	2015	
Total balance	790.4	781.6	771.2	-10.4
Balance*	430.5	421.7	411.3	-10.4
Industrial	305.1	297.3	288.4	-8.9
Recoverable	230.5	224.3	217.3	-7.0

*Balance reserves (covered by the licence)

Deposit reserves of hard coal (Stręczyn – K-3) updated as at 31 December 2015.

Reserves [million tonnes]	2015
Total balance	145.7
Balance*	128.9
Industrial	23.6
Recoverable	19.0

*Balance reserves (covered by the licence)





Vision, Mission and Market Position of the LW Bogdanka Group

Vision

To become one of the world-class hard coal producers applying the highest work safety, environmental, automation and production digitisation standards. To maintain the efficiency leader position in the mining sector.

Efficiency improvement

- Invest in new technologies
- Modernise infrastructure
- Optimise production, processes and organisation
- Optimise the decision-support system in the process of preparation of deposits for extraction

To achieve:

Cost reduction in the production chain of the Company and higher efficiency.

Development of resource base

- Acquire new licences
- Explore new deposits in the region
- Optimise extraction in thin deposits

To achieve:

An increase, to 30%, in the Company's share in the domestic market of coal supplies for commercial power plants.

Support for the region

- Ensure the Group's staff development opportunities
- Support development of the Lublin Land of Mechatronics
- Offer sponsor support

To achieve:

Support for the local community and accomplishment of Corporate Social Responsibility (CSR) goals.

Develop organisational skills and effectiveness

- Reduce project implementation costs in the Parent – ensure continuous monitoring of project costs
- Accelerate project implementation

To achieve:

Support for cost optimisation and coordinated implementation of strategic projects.

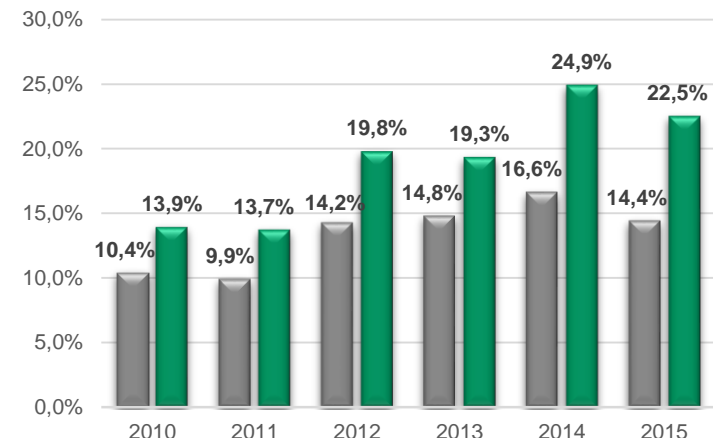
Mission

To reinforce the position of leading manufacturer and supplier of hard coal for the power industry, boasting the highest standards in terms of work safety, environmental protection and innovation, and maintaining competitive advantage to ensure sustainable growth of the Company's goodwill.

Market Position

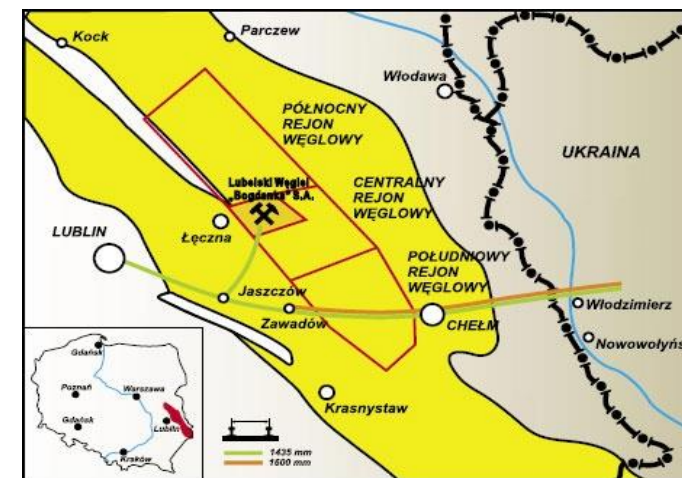
The Parent is one of the most technologically advanced and largest hard coal mines in Poland and, at the same time, the only thermal coal producer situated in eastern Poland (Lublin Coal Basin).

In 2015, the Parent's share in the thermal coal market stood at 14.4%, and its share in the market of thermal coal sold to the commercial power industry was 22.5%.



■ Share of LWB's sales in the thermal coal market

■ Share of LWB's sales in the thermal coal market for commercial power industry





Development Strategy of the LW Bogdanka Group

Development Strategy of the Parent

Information on the current Strategy of the Parent for 2013-2020, the progress in its implementation and the reasons for its updating have been presented in the Directors' Report on Operations for 2014 published on 12 March 2015.

In connection with the changes to market conditions (drop in prices in world's and Polish markets, increased supply, remaining coal reserves), the Parent took a number of steps in 2015 to mitigate the negative effects of these developments and adapt itself to the dynamically evolving circumstances.

Due to the limited opportunities to sell, it has become necessary to reduce and adjust the production levels accordingly. The main objective for 2015 was defined as "securing cash" by significant savings in costs and investment plans, based on three primary assumptions:

- optimisation of the production plan to about 8.5 million tonnes,
- significant reduction of the "permanent" headcount (by 400 persons) and limiting the outsourced services,
- cutting down on capital expenditures (GK LWB) to about PLN 380 million.

The above assumptions have been implemented, and as a result the Parent obtained better results in 2015 compared to other domestic companies in the mining industry. This made it possible to increase efficiency, while maintaining relative flexibility in terms of production capacity in the years to come.

In 2016, LW Bogdanka S.A. will continue to implement the optimisation actions and keep costs under strict control on the basis of a new plan which provides for commercial coal production of about 9 million tonnes. At the same time, the Company is working on acquiring contracts with small and medium customers in Poland as well as larger contracts abroad (e.g. in Ukraine).

In connection with the changes to the Company's shareholding structure, the Strategy for the subsequent years will be developed in correlation with the majority shareholder's (Enea S.A.'s) strategy.

Development strategy of Łęczyńska Energetyka sp. z o.o.

The Management Board has set the following strategic objectives for the Company to be completed until 2020:

- Extension of the Water Treatment Station (WTS) - due to the technological needs of LW Bogdanka S.A., there are plans to

build an additional fire-extinguishing water tank on the premises of WTS in Bogdanka.

- Upgrade of the boiler house buildings in Bogdanka - there are plans to continue the upgrade of the existing 6 kW switching station in Bogdanka and the upgrade of the pump system of the boiler house.
- Construction of a new boiler unit in the boiler house in Bogdanka - due to the requirement to ensure uninterrupted supply of thermal energy to customers, there are plans to build a new boiler in the boiler house.
- Upgrade of the sanitary wastewater treatment plant for the facilities in Nadrybie and Stefanów - the current volumes of the sanitary wastewater produced in connection with the exploitation of the Stefanów field require an upgrade of the existing wastewater treatment plant in Nadrybie. Another concept that is taken under consideration is a construction of a new wastewater treatment plant in Stefanów with simultaneous suspension or discontinuation of the existing plant in Nadrybie.
- Implementation of an Integrated Information Technology System (ITS) in the Company - this system will enable rationalization of the number of employees at Łęczyńska Energetyka and will simplify and facilitate the flow of information within the organizational structure of the Company and for LW Bogdanka S.A.
- Upgrade of the district heating main line between Bogdanka and Łęczna - the scope of the upgrade of the main line in the coming years will depend on the possibility to obtain financing from public aid sources.

Development strategy of MR Bogdanka sp. z o.o.

Strategic objectives of MR Bogdanka:

- Increase capacity in the area of mining machine manufacturing and refurbishment.
- Manufacture general purpose steel structures in accordance with all formal and legal requirements.
- Manufacture and regenerate mass products used by LW Bogdanka S.A.
- Provide underground operation maintenance services to meet the needs of LW Bogdanka S.A..
- Provide maintenance, ongoing repair and other services.

Development strategy of RG Bogdanka sp. z o.o.

The Company conducts and will continue to develop its operations involving auxiliary and preparatory works for the Parent.

Development strategy of EkoTrans Bogdanka sp. z o.o.

In 2016 and onwards the Company is planning to conduct business operations related to mining waste management. The Company aims to recover and recycle about 2.7 million tonnes of waste generated by dry and wet coal processing annually.





Projects completed in 2015 r.

In Q1-Q4 2015, the Parent continued its investment projects in accordance with consecutive optimised plans. In 2015, capital expenditures for non-current assets totalled PLN 281,880,000. The plan for Q1-Q4 2015 covered the following groups of tasks: development investments, including the purchase of machines and equipment, and operational investments, including the use and upgrade of excavations in the Bogdanka, Nadrybie, and Stefanów Fields, as well as upgrades and repairs of machines and equipment, etc.



INVESTMENTS IN LW BOGDANKA S.A.

New licences

The Company was granted a mining licence for the K-3 area and a prospecting licence for the "Ostrów" deposit. The OS-1 test hole was drilled in the "OSTRÓW" areas and its geological documentation was prepared. The drilling plan was prepared for the OS-4 test hole.

Machine and equipment maintenance

Purchase and assembly of new machines and equipment – by the end of the fourth quarter LW Bogdanka S.A. purchased and assembled machines and equipment for PLN a total amount of 21,548,000, including costs of assembling. The key machines include: a large heading machine, overhead diesel locomotives, mine track diesel locomotives, manipulators, air barrage, scraper conveyors, machine for disassembly of gallery lining, drilling and anchoring platform, pump unit and cooling and air cooling units.

Purchase of finished goods – purchased finished goods totalled PLN 11,226,00. The key purchased finished goods include: finished transport equipment (hoists, tracked bulldozer, excavated material transport sets), pumps and hydraulic units, electrical equipment (transformer stations, cable testers, generator), other finished equipment (fans, equipment for drilling holes in a ploughing panel, bar guillotine shear, tools categorised as fixed assets, bolting machines, purchase of computer and network hardware together with software).



DEVELOPMENT INVESTMENTS

Purchase and assembly of panel complexes

In 2015, the most important investment was the purchase and installation of the plough system 4 for wall no. 1/I/385, which enables the exploitation of mining walls up to 318 m long. In May, the installation was completed and plough system 4 was started, and wall no. 1/I/385 initiated the exploitation of seam 385 in Field I.

New and upgraded excavations

In 2015, 19,969 m of roadway excavations were made. Reconstruction of roadway excavations were continued in accordance with the schedule. The cost of roadway excavation reconstruction in that period amounted to PLN 38,544,000, the expenditures to build new and to upgrade existing excavations totalled PLN 140,307,000.

Łęczyńska Energetyka and the other Subsidiaries of LW Bogdanka S.A.

Investment tasks implemented in 2013-2015 included: construction of the Water Treatment Station in Bogdanka and construction of the warehousing facilities in Bogdanka, alteration of the 6 kV STR-K switchgear in Bogdanka (Stage 1), necessary upgrades of existing buildings and machines, purchase of vehicles for logistics units, purchase of necessary manufacturing machines and equipment.

In 2015, the capital expenditures of the subsidiaries, i.e. EkoTrans Bogdanka, RG Bogdanka and MR Bogdanka, totalled PLN 58,000 and were all used to finance non-current assets.



OPERATIONAL INVESTMENTS OF THE LW BOGDANKA GROUP

Other development and replacement investments

Central air conditioning of the Bogdanka Field – the contract with Łęczyńska Energetyka sp. z o.o. is being implemented. The building of the central air conditioning station in Bogdanka is complete, while the construction of the underground pipeline circuit together with equipment is continued.

Enlargement of the mining waste neutralization facility in Bogdanka – an amendment to the design is being prepared to increase the space of Stage I by purchased plot no. 289/5 and to obtain the permits to start the enlargement of Stage II Part 2. The process to buy the plots of land within the boundaries of Stage II and Stage III is continued.

Other operational investments: enlargement of the power grids and upgrades of the switching station and the 110/6 kV substation are continued. The 110/6 kV GSTR substation in Bogdanka and in Stefanów was completed. The repairs of side track on 19 – 24 km between Bogdanka and Jaszczów were finished.

Selected investments

[PLN '000]	1 PTE 2015	2 Annex 2 do PTE 2015	3 Actual 2015	4 Actual [3/2]	5 Plan for 2016
Obtaining new licences*	49,972	44,969	1,755	3.9%	45,384
Machines and equipment maintenance	100,090	42,633	40,891	95.9%	62,655
Other development and replacement investments	99,878	72,504	58,807	81.1%	68,700
Purchase and installation of panel complexes	1,750	3,087	1,576	51.1%	-
New excavations and upgrades of existing ones	309,112	198,196	178,851	90.2%	254,978
TOTAL CAPEX in LW Bogdanka S.A.	560,802	361,389	281,880	78.0%	431,717
Łęczyńska Energetyka sp. z o.o.	19,897	19,897	18,809	94.5%	6,200
Other Subsidiaries	-	-	58	-	-
TOTAL CAPEX in the LW Bogdanka Group**	580,699	381,286	300,747	78.9%	437,917

*plan for 2016 includes the full value of a fee for the use of geological information, which is payable in ten annual instalments. Total value of the geological information is PLN 28 million.

**sum of investment outlays does not include capitalised costs of external financing

Expenditures for excavations in 2015

Excavations and works - total	Depreciation method	Length [m]	Value of coal from excavations [PLN '000]	Total investment outlays [PLN '000]	Investment outlays [PLN '000]
Wall excavations	Natural	14,828			
Basic excavations	Straight-line	3,459	58,802	237,653	178,851
Reconstructions	Straight-line/natural	1,682			



Investments planned for 2016

New licences

The Parent is attempting to obtain mining licences for the K-6 and K-7 areas of the "Cyców" deposit. In addition, LW Bogdanka S.A. is trying to obtain geological information on the "Ostrów" deposit. Exploration has been planned in the "Orzechów" area.

Machine and equipment maintenance

Purchase and assembly of new machines and equipment – by the end of 2016 the Company should spend PLN 19,285,000 for purchase of machines and equipment, including assembly costs. The main items include: overhead diesel locomotive, powered air barrages, conveyor feeder set, belt conveyors, cooling devices and electromagnetic separator.

Purchase of finished goods – planned cost of purchase of finished goods is PLN 13,553,000. The main items include: transport equipment (hoists, hydraulic mobile unit, tool boxes, overhead rail passenger units, etc.), pumps and hydraulic units, electrical equipment (transformer stations, motors, blasting equipment), other finished equipment (fans, bolting machines, welding machines, plasma cutters, tools categorized as fixed assets, purchase of computer and network hardware together with software, other).

Upgrades and repairs of machines and equipment – planned expenditures for upgrades and repairs of machines and equipment amount to PLN 29,817,000. The main items include: wall linings, diesel locomotives, overhead locomotives and roadheading machines. Repairs in 2016 will cover successive wall linings and carriages.



DEVELOPMENT INVESTMENTS

New and upgraded excavations

Plans assume the construction of new excavations, mainly haul roads, wall cross-headings and the remaining technological and access excavations to enable mining operations in seams 385/2, 391 and 389. Reconstructions of mining excavations will also be conducted.

Other development and replacement investments

Central air conditioning of the Bogdanka Field – underground works will be continued.

Enlargement of the mining waste neutralization facility in Bogdanka – building permit will be obtained, trees will be cut down on the site and the construction and assembly works will be started for Stage I Part II to increase storage capacity.

Other operational investments: the enlargement of the power grid and the upgrade of the switching station and the 110/6 kV substation will be continued.



OPERATIONAL INVESTMENTS

Łęczynska Energetyka and the other Subsidiaries of LW Bogdanka S.A.

Łęczynska Energetyka will spend about PLN 600,000 for the extension of the Water Treatment Plant in Bogdanka as necessary to meet the technological needs of LW Bogdanka S.A. resulting from an increased demand for water for fire extinguishing purposes. As a result, an additional fire water tank will be built in the Water Treatment Plant and the line for production of fire water will be upgraded. The key investment projects approved for implementation include the alteration of the 6 kV STR-K switchgear (Stage 2) in the main boiler house of Bogdanka, with a budget of PLN 998,000, and the modification of the hydraulic system of the pump station in the Bogdanka boiler house (Stage 1), with a budget of PLN 913,000.



OTHER GROUP COMPANIES



Trade agreements

The Company has no information about significant agreements concluded in 2015 between the shareholders. All agreements significant for the business of the LW Bogdanka Group concluded in 2015 and after the balance-sheet date are described below.



Current Report	Business Partner	Agreement Date	Description
2/2015 25 March 2015			Conclusion of an annex to the Annual Agreement. The Annex specifies coal supply prices for 2015 effective from 1 January 2015 until 31 December 2015, and concerns basic coal supplies in 2015, in accordance with the Long-Term Agreement.
24/2015 21 August 2015	Enea Wytwarzanie sp. z o.o.	4 March 2010	Termination of the Long-Term Agreement for the Supply of Power Coal. The Agreement will terminate on 1 January 2018 due to failure to establish a price for the following calendar year (2016) by way of negotiation.
8/2016 3 March 2016			Signing of a settlement in the form of an Annual Agreement. The Annual Agreement specifies the terms and conditions of supplies in 2016 – quantitative volumes and prices related to the supplies of the Company's coal to the power plant of Enea Wytwarzanie sp. z o.o. in Koźmice.
18/2015 22 June 2015			The Annex concerns supplies in 2015.
25/2015 31 August 2015	PGNiG Termika S.A.	23 April 2012	The Annex concerns the extension of the term of the Agreement until 31 December 2016 (previously 31 December 2015) and the terms and conditions of supplies in 2016.
48/2015 25 November 2015	Zakłady Azotowe Puławy S.A.	8 January 2009	The Annex extends the term of the Agreement until the end of 2019 (previously the Agreement was in effect until the end of 2017) and sets out the new terms and conditions of thermal coal supplies during the term (prices and volumes).
50/2015 7 December 2015	Elektrownia Połaniec S.A. - Grupa GDF Suez Energia Polska (currently ENGIE Energia Polska S.A.)	12 July 2012	The Annex sets out the terms and conditions of supplies between 2015 and 2016 (prices and volumes).
52/2015 22 December 2015	EDF Paliwa sp. z o.o.	19 July 2011	Termination of the Long-Term Agreement for the Sale of Power Coal concluded on 19 July 2011 due to failure to establish supply prices for 2016 by way of negotiation and within time limits specified in the Agreement. As a result of the Buyer giving notice, the Agreement will terminate on 31 December 2016.
53/2015 22 December 2015	Energa Elektrownie Ostrołęka S.A.	14 December 2010	As a result of the Annex, the term of the Agreement has been extended until the end of 2016 and the terms and conditions of supplies in 2016 have been specified.
54/2015 23 December 2015	Polenergia Elektrownia Północ sp. z o.o.	20 December 2011	As a result of the Annex, the parties have changed the ultimate date for the Buyer to obtain debt financing for the purposes of constructing Units I and II of the Power Plant to 31 December 2018 (previously the ultimate date of financial closing was 31 December 2015).

Apart from the Enea Group companies, including LW Bogdanka S.A., the Issuer is not formally related to other recipients.



Information on financial instruments, bonds

Information on derivative financial instruments

As at 31 December 2015, the Parent did not hold any open derivative financial instruments.

Bonds

As at 31 December 2015, the Company had two Bond Issue Program agreements. The first agreement of 23 September 2013 on the Bond Issue Program up to the amount of PLN 300 million with Bank Polska Kasa Opieki S.A.

The total value of all bonds issued under the agreement stands at PLN 300 million.

Maturity dates of the bonds are as follows:

- PLN 75 million - 30 March 2018
- PLN 75 million - 30 June 2018
- PLN 75 million - 30 September 2018
- PLN 75 million - 30 December 2018

The second agreement of 30 June 2014 on the Bond Issue Program up to the amount of PLN 600 million with Bank Polska Kasa Opieki S.A. and Bank Gospodarstwa Krajowego.

The total value of all bonds issued under the agreement stands at PLN 400 million.

As provided for in the above mentioned agreement, the bonds will be issued in two tranches, Tranche 1 and Tranche 2, each up to the amount of PLN 300 million.

Tranche 1 has already been issued, while Tranche 2 will be issued no later than on 30 June 2016. The term of the program began on the day of signing the Agreement and ends for Tranche 1 on 31 December 2019, and for Tranche 2 on 31 December 2020.

In line with the Bond Issue Program, the Company may issue further series of bonds within a given tranche in order to roll over the previous issue of that tranche during the term of the Program. Therefore, in order to roll over the issue of bonds series LWB01A300615 and LWB02A300615, on 30 June 2015, the Company issued a total of 300 registered bonds series LWB01B300616 as Tranche 1 with a nominal value of PLN 1 million (one million zlotys) each, and a total of 100 registered bonds series LWB02B300616 as Tranche 2 with a nominal value of PLN 1 million (one million zlotys) each, which were acquired by the Guarantors. The total nominal value of bonds acquired by the Guarantors amounts to PLN 400 million.

Redemption date for bonds series LWB01B300616 and bonds series LWB02B300616 is scheduled for 30 June 2016.

In line with the Program, the Company has a right to issue further series of bonds within a given tranche in order to roll over the previous issue of that tranche, which justifies the long-term nature of the Program.

Bonds of PLN 200 million remain to be issued.

Use of proceeds from bond issue

In accordance with the Bond Issue Programme Agreements, the purpose of issue means refinancing of the Issuer's existing debt, financing the Issuer's day-to-day operations and investment needs (with the proviso that it does not constitute an issue purpose within the meaning of the Bonds Act).

The proceeds from the bond issue were used in compliance with the purpose of the issue. Investment projects carried out with the use of these proceeds are described on pages 16 and 17 of the Report.

Assessment of the possibilities of executing investment plans

A financing structure of property investment expenses will remain compliant with the adopted Strategy, i.e. the financing will be obtained from equity and debt (bonds). As at the date of this Report, the LW Bogdanka Group sees no threat as to the possibility of acquiring additional debt financing, but points out to the risk that the costs of its acquisition and servicing may be higher than those currently incurred.

Lease and rental agreements in 2015.

Total revenue generated by the LW Bogdanka Group in 2015 from lease and rental agreements concerning land, premises, plant, machinery, etc. amounted to PLN 8.6 million net.

Agreement date	Agreement value [PLN million]	Value of bonds acquired [PLN million]	Remaining value of bonds to be acquired [PLN million]	Remaining value to be repaid [PLN million]
23 Sep. 2013	300	300	0	300
30 Jun. 2014	600	400	200	400



Information on loans and borrowings

In 2015 the Parent had one active loan agreement.

Start date	End date	Lender	Amount of loan [PLN '000]	Interest rate	Debt (loans) as at 31 December 2015 [PLN '000]	Repayment period
22 May 2014	22 May 2016	mBank S.A.	150,000	WIBOR 1M + margin	0	Overdraft

Information on loans granted

In 2015 the Group did not contract or grant any loans or terminate any agreements concerning loans.

Information on sureties and guarantees provided and received

In 2015 the Group did not grant (or receive) any sureties.

Guarantees granted by the LW Bogdanka Group

In 2015 the LW Bogdanka Group did not provide any guarantees.

Guarantees received by LW Bogdanka S.A.

Loan and borrowing agreements signed by Subsidiaries

Under the agreement of 9 June 2014, Łęczyńska Energetyka sp. z o.o. was granted a borrowing of PLN 26,580,000 by the Lubelskie Province Environment Protection and Water Management Fund. It was used for the co-financing of construction of the Water Treatment Plant (WTP) in Bogdanka for the purposes of existing infrastructure. The interest rate is 0.7 of the rediscount rate announced by the Monetary Policy Council or 4% per annum, whichever is greater. The loan will be repaid in instalments until 31 July 2024. In 2015, the Subsidiaries, i.e. EkoTrans Bogdanka sp. z o.o., RG Bogdanka sp. z o.o. and MR Bogdanka sp. z o.o., granted, taken or terminated no loans or borrowings.



Security receipt date	Security expiry date	Security provider	Agreement objective	Form of security	Amount of security
20 September 2012	30 September 2021	Bank PKO BP S.A.	to secure liabilities in connection with the payment of a fee for the use of geological information concerning the "Lublin K-6-7" and "Lublin K-3" hard coal deposits	bank guarantee	up to PLN 19,000,000
6 June 2013	30 September 2021	Bank PKO BP S.A.	to secure liabilities in connection with the payment of a fee for the use of geological information concerning the "Lublin K-6-7" and "Lublin K-3" hard coal deposits	bank guarantee	up to PLN 1,500,000
25 July 2013	23 January 2015	Bank PKO BP S.A.	to secure performance of an agreement with Caterpillar Global Mining Europe GmbH for the supply a factory-new wall ploughing system	bank guarantee	up to EUR 37,428,000
13 June 2014	29 October 2015	Bank PEKAO S.A.	to secure a portion of the price to the benefit of Caterpillar Global Mining Europe GmbH for the supply a factory-new wall ploughing system	bank guarantee	up to EUR 27,825,000
27 October 2015	31 January 2018	Bank PEKAO S.A.	to secure performance of an agreement with UTA Polska sp. z o.o.	bank guarantee	up to PLN 50,000



Transactions with related entities

In 2015 the Parent and its subsidiaries did not conclude transactions with related entities which would be individually or jointly significant and would be concluded on a basis other than an arm's length basis.

The following table presents main agreements in effect in 2015 entered into between LW Bogdanka S.A. and its Subsidiaries.

Agreements between LW Bogdanka S.A. and ŁĘCZYŃSKA ENERGETYKA	Agreements between LW Bogdanka S.A. and RG BOGDANKA	Agreements between LW Bogdanka S.A. and MR BOGDANKA	Agreements between LW Bogdanka S.A. and EKOTRANS BOGDANKA
<ul style="list-style-type: none">• heat energy supplies• water supplies and sewage disposal, maintenance services and other• sale of thermal coal and electrical energy• lease, rental and lending for use• heating of inlet air on shaft 2.2• service and maintenance supervision• dendrological study• reconstruction of premises in Stefanów• provision of investor supervision for the construction of the Water Treatment Station in Bogdanka• completion of central air-conditioning in the Bogdanka field	<ul style="list-style-type: none">• reconstruction of a section of the eastern bypass• reconstruction of a section of access heading 1 on level 960 in the Bogdanka field• reconstruction of a passenger station in the Bogdanka field• performance of works and provision of services in LW Bogdanka S.A. mine• providing explosion works• lease, rental and lending for use• auxiliary works, haulage services	<ul style="list-style-type: none">• delivery of elements of steel structures of adventitious equipment• delivery of rolling stock units• provision of services in the mechanical departments of machine operation underground• performance of works at the LW Bogdanka S.A. mine• supply of energy to the workshop-storage building• repairs of machines and equipment, and their subassemblies• delivery of casing pipes and connectors• delivery of shaft 1.2 lining• performance of fitting and welding works• delivery of elements of machines, equipment and steel structures• provision of repair and construction services• repairs of transport units• contracts for delivery of dwangs and spare parts• lease, rental, and lending for use	<ul style="list-style-type: none">• disposal of non-dangerous waste (waste rock)• lease, rental and lending for use• car sale

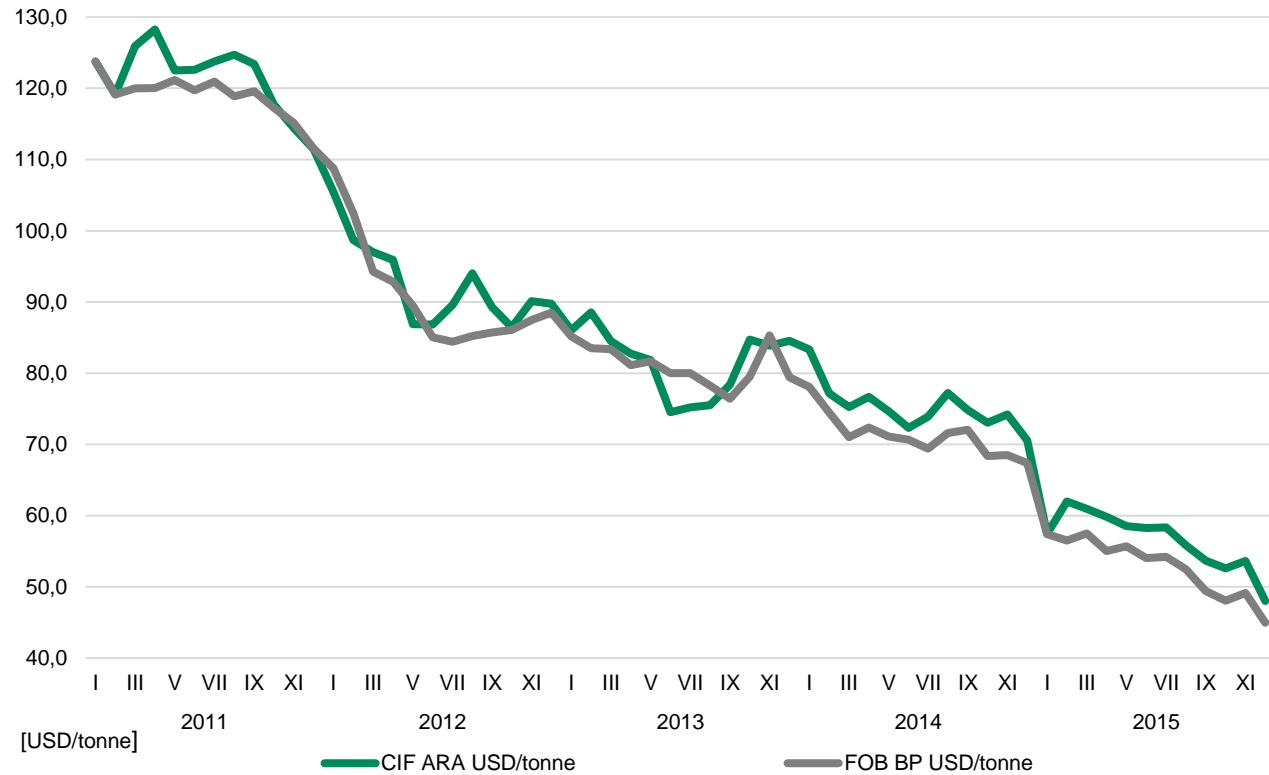
In 2015, LW Bogdanka S.A. entered into a power purchase agreement with Enea S.A., which became the Parent as a consequence of acquiring the majority of shares in LW Bogdanka S.A. For more information about agreements with the Enea Group and companies controlled by the State Treasury, which is the majority shareholder of Enea S.A., see Note 36 of the Financial Statements of LW Bogdanka S.A. for 2015.





Thermal coal price decline in international market between January 2011 and December 2015

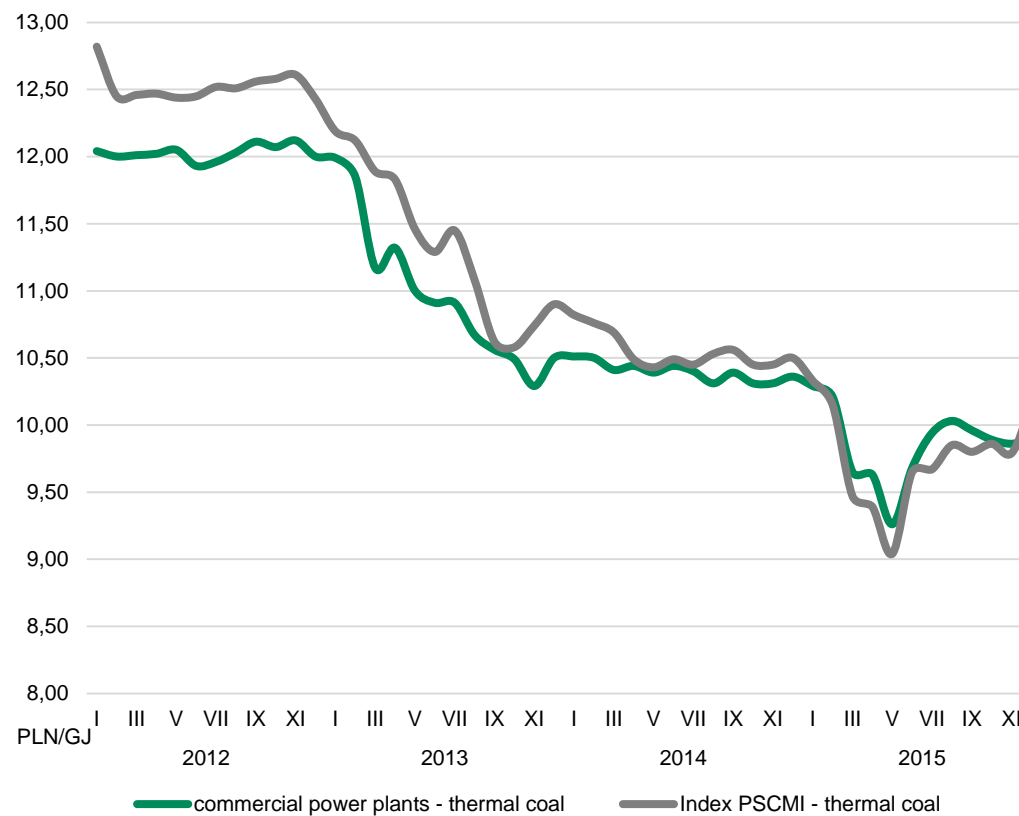
- The average annual coal price (CIF ARA) was about USD 57 in 2015
- It plummeted by 39% between January 2011 and December 2015
- As at the end of 2015, the coal stock in ARA ports was about 5.9 million tonnes, i.e. increase by about 700,000 tonnes year on year
- Share of coal in power generation in the UK dropped from 28.2% in 2014 to 20.5% in 2015
- In 2015 China imported about 30% less coal than in 2014
- In 2016 it is expected that China's imports will continue the downward trend – by about 10%
- Coal production in China declined by 3.8% year on year
- By 2020 China want to cut coal production by 500 million tonnes, i.e. 13.6%





Decline in fine thermal coal prices and PSCMI index in Poland's market between January 2012 and December 2015

- In 2015 the average annual price of fine thermal coal for commercial power plants was PLN 9.85 per GJ
- The price trend shows a 5.3% decline year on year
- Average heating value of fine coal for commercial power plants is about 21.4 GJ / tonne
- Price of fine coal for commercial power plants declined by 18% between January 2012 and December 2015
- In 2015 the average price based on the PSCMI index was about PLN 9.76 per GJ
- Decline was about 7.5% versus the 2014 average price

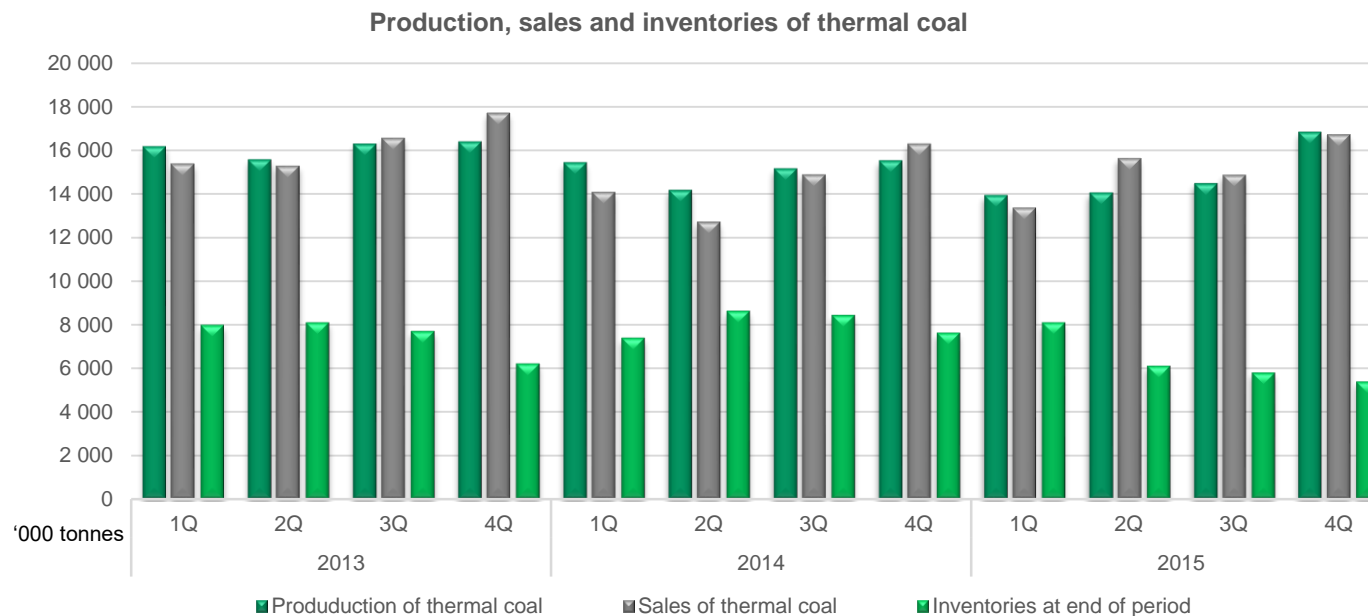




Production, sales and stocks of thermal coal at the end of 2015 in the domestic market

Currently there are 30 hard coal mines in Poland:

- Kompania Węglowa:
 - Sońnica
 - Halemba-Wirek
 - Pokój
 - Bielszowice
 - Bolesław Śmiały
 - Piast
 - Ziemowit
 - Chwałowice
 - Jankowice
 - Marcel
 - Rydułtowy-Anna
- Jastrzębska Spółka Węglowa:
 - Knurów-Szczygłowice
 - Borynia-Zofiówka-Jastrzębie
 - Krupiński
 - Pniówek
 - Budryk
- Katowicki Holding Węglowy:
 - Mysłowice-Wesoła
 - Wieczorek
 - Wujek
 - Staszic
- Spółka Restrukturyzacji Kopalń:
 - Makoszowy
 - Centrum
 - Murcki
 - Kazimierz
- Tauron Wydobycie:
 - Brzeszcze
 - Janina
 - Sobieski
- Lubelski Węgiel Bogdanka S.A.
- PG Silesia
- Siltech
- Ekoplus



Situation in Poland:

- In 2015 the production of thermal coal amounted to about 59.2 million tonnes
- Production was lower by about 1.7% in comparison to 2014
- Sales in 2015 amounted to about 60.6 million tonnes, including about 34.2 million tonnes of thermal fine coal acquired by the Commercial Energy Sector
- Sales of thermal coal increased by about 4.5% in comparison to 2014
- The level of coal stocks at the end of 2015 totalled 5.4 million tonnes
- Stocks fell by about 29.4% in comparison to the level as at December 2014



Production, sales and inventories – thermal coal – as at the end of 2015 in Poland's market

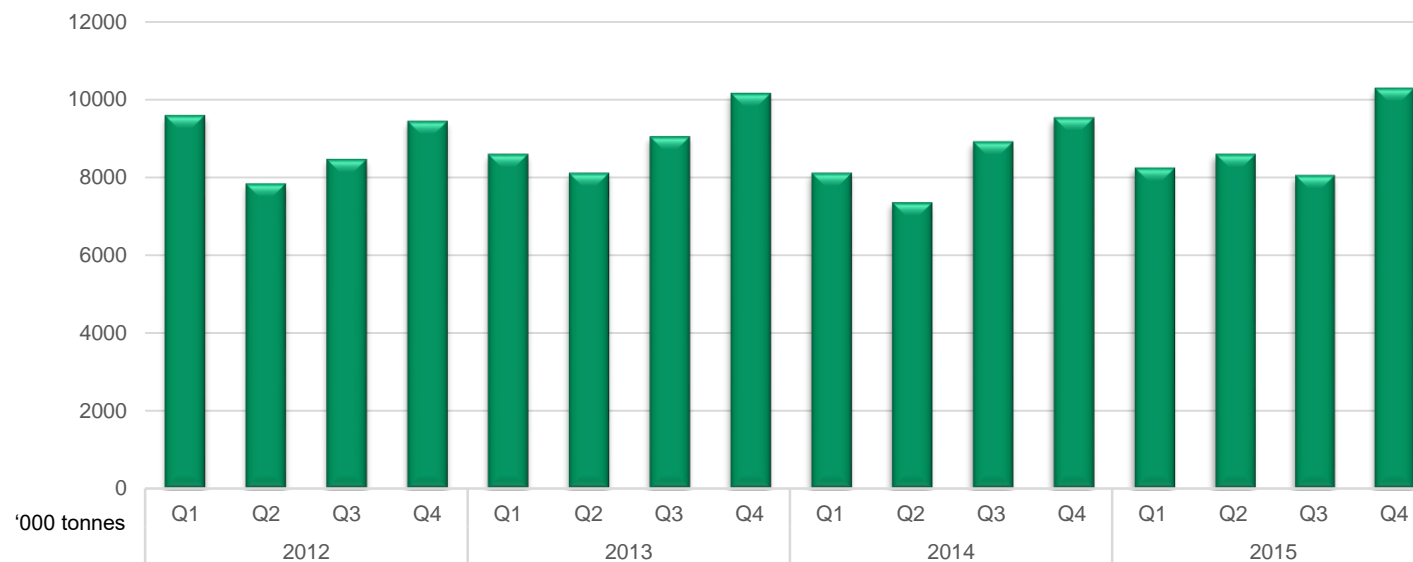
Commercial power plants are the main recipients of thermal coal in Poland. They bought about 34.2 million tonnes of thermal fine coal. The largest buyers are:

- Tauron
- EDF
- PGE
- Enea
- PGNiG
- ENGIE

In January-December 2015, about 60.6 million tonnes of thermal coal were sold in Poland, of which 53.8 million tonnes were delivered to Poland's market, including 47 million tonnes of thermal fine coal.

About 7 million tonnes of coal were exported, mainly thermal fine coal.

Sales of thermal coal to commercial power plants

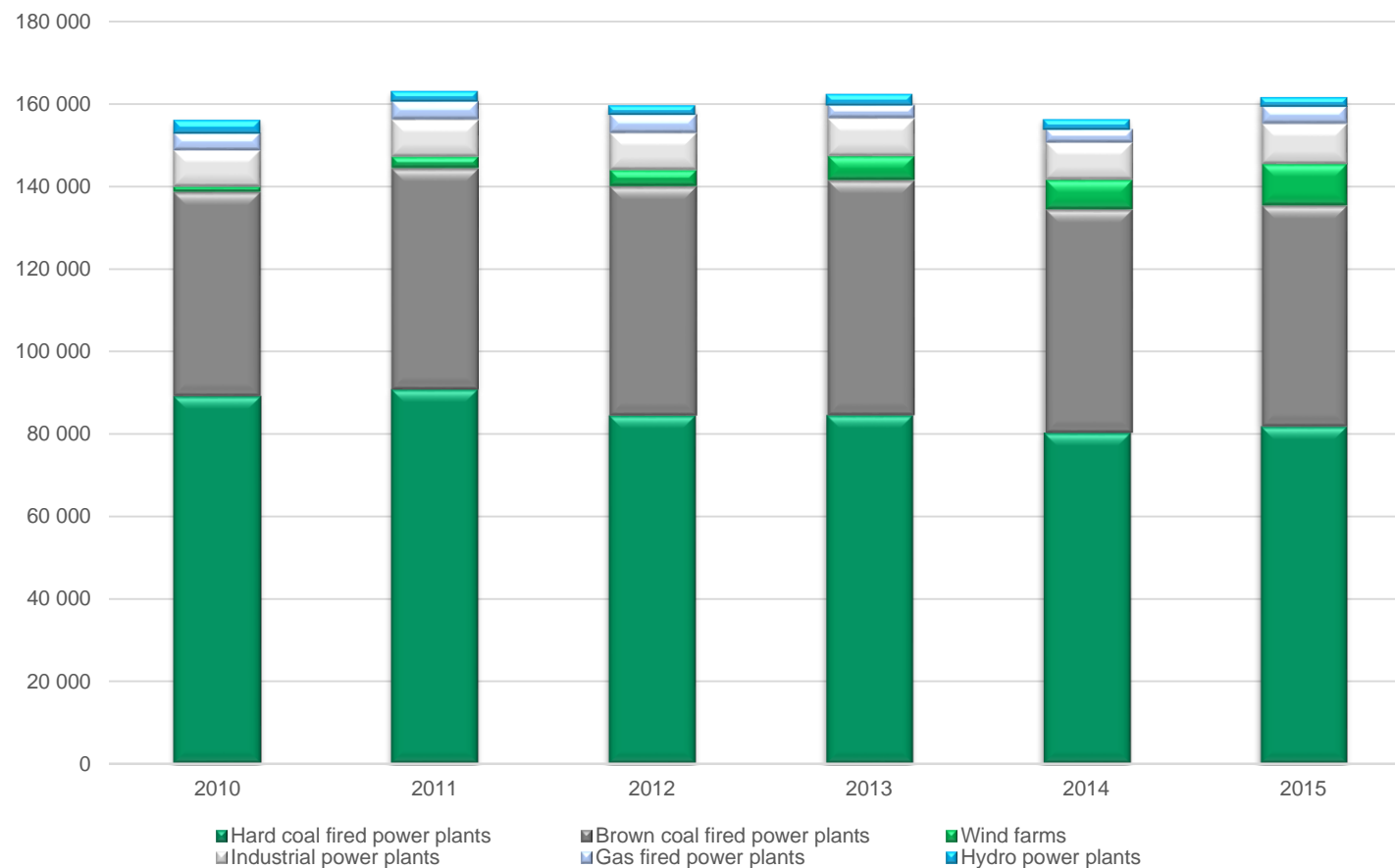




Power generation in Poland

- Total electricity output in 2015 – 162,000 GWhj
- In 2015 domestic electricity consumption was higher by 3,200 GWh versus 2014
- Hard coal was used to generate 82,000 GWh, i.e. nearly 51% of total electricity output in Poland
- In 2015 hard coal produced 2% more electricity than in 2014
- Compared to 2010, the share of hard coal in electricity generation was lower by about 8%
- In 2015 wind farm electricity production rose by nearly 40% year on year
- As compared to 2010, wind farm electricity production increased by about 669%

Power generation in Poland



Description of risks, threats and factors which, in the assessment of LW Bogdanka S.A., will affect the results achieved by the Group

Risk management

The key objectives of the management of LW Bogdanka S.A.'s risks are to:

- ensure security of the Company's operation,
- ensure effectiveness of decisions focused on the maximisation of profit at an acceptable level of risk.

Systems in place:

- Integrated System of Enterprise Risk Management (ERM),
- IT (Risk Manager) to support the enterprise risk management system.

Principal rules, procedures and documents serving as a basis for the risk management system:

- LW Bogdanka Corporate Risk Management Policy,
- LW Bogdanka Corporate Risk Management Model – ERM procedures,
- LW Bogdanka Risk Register,
- LW Bogdanka Risk Map,
- List of strategic risks of LW Bogdanka,
- Programs of strategic risk mitigating measures at the Company.

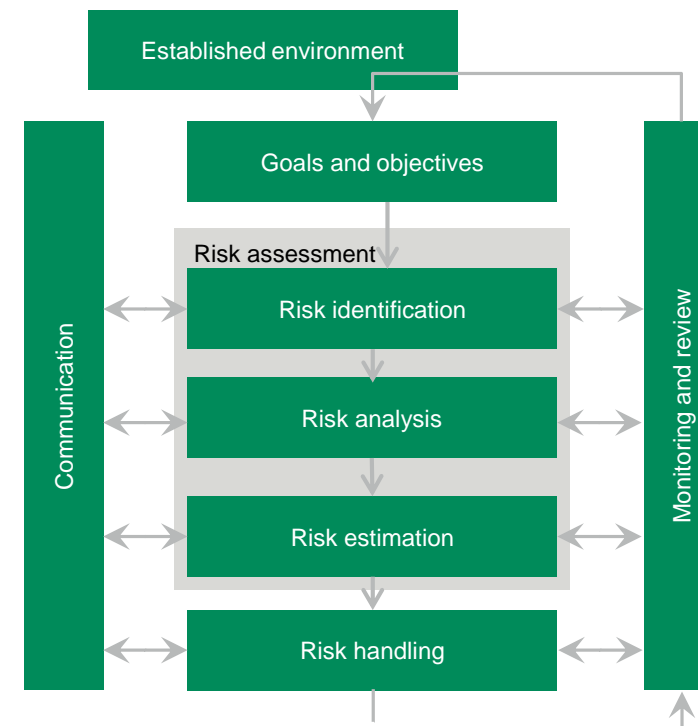
An Enterprise Risk Management Committee appointed by the Management Board plays an important role in the Company's risk management system. The Committee has its own specific competences at every stage of ERM. Its functions involve accepting and issuing opinions on identified risks and measures aimed at reducing those risks.

The Company provides information and reports on the outcomes of the ERM implementation and its development to the Supervisory Board and the Audit Committee.

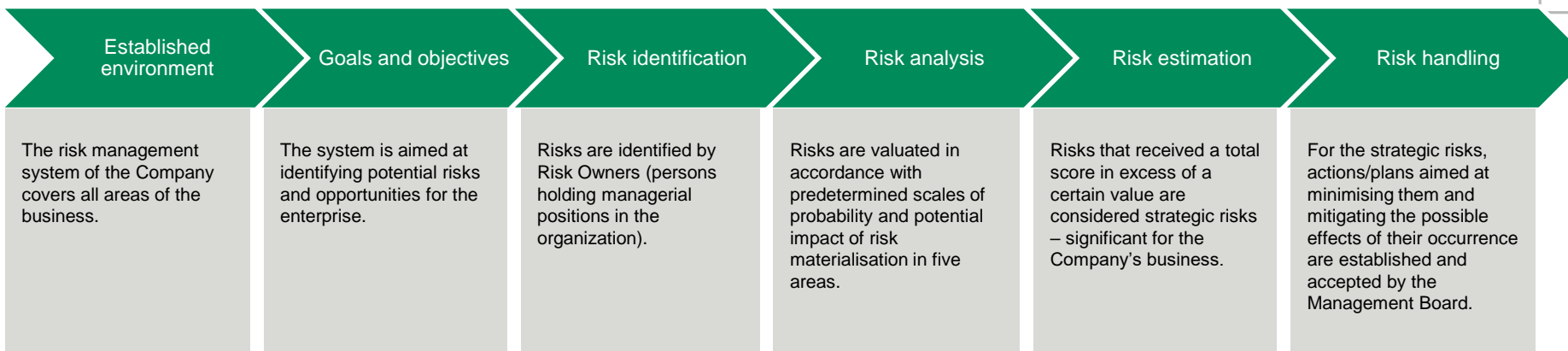
In subsequent periods, the system will be further adapted to the needs of the Company with a view to increasing its role and effectiveness, based on the existing experience and outcome of the system.

The risk management system involves the participation of:

- the Supervisory Board,
- the Management Board,
- the Enterprise Risk Management Committee,
- the Audit Committee,
- managers of organisational units – risk owners.



Risk management process





Main risks to the Group by category

RISK FACTORS	
BUSINESS ENVIRONMENT AND MARKET	<ul style="list-style-type: none">• Risk associated with the social and economic situation in Poland and the world• Risk associated with the economic policy of the State in relation to the hard coal mining sector• Risk associated with the levels of prices for raw materials for power production in Poland and the world• Risk associated with the imposition of coal excise tax• Interest rate risk• Risk associated with changes in exchange rates• Risk associated with the impact of current macroeconomic situation on debt financing availability• Risk associated with the specific nature of mining sector operations and the possibility of unforeseen events• Risk of restrictive EU climate policy also with respect to the CO2 emissions• Risk of a decrease in demand for hard coal from the Polish power industry
OPERATIONAL	<ul style="list-style-type: none">• Risk associated with the launch of extraction of new deposits at LW Bogdanka S.A.• Technical and technological risk• Risk associated with high costs of technologies applied by the Group• Risk of IT systems malfunctioning• Key customer risk• Risk associated with competition by other thermal coal producers and the relatively low quality of the coal produced by the Parent• Customer insolvency risk• Risk associated with the strong position of the trade unions in the Group• Risk associated with retaining and attracting human resources for the LW Bogdanka Group• Key supplier risk• Risk of unfavourable/inappropriate contractual terms being concluded• Risk of price fixing by the suppliers
FINANCIAL	<ul style="list-style-type: none">• Liquidity risk• Insurance risk
ENVIRONMENTAL PROTECTION	<ul style="list-style-type: none">• Risk associated with reclamation and mining damage• Risk associated with tightening of standards and regulations of law with respect to environmental protection and the obligation to obtain permits for the economic use of the environment• Risk associated with management of waste generated after extension of the mining area• Investment risks associated with protected areas
LEGAL	<ul style="list-style-type: none">• Risk of change to tax laws• Risk of real estate tax on mining excavations of LW Bogdanka S.A.• Risk associated with expenses for creating certain mining pits and their classification for the purposes of corporate income tax• Risk of a change in the law and its interpretation and application• Risk of violating the stock exchange disclosure requirements



Risk associated with the Group's social, economic and market environment

Risk associated with the social and economic situation in Poland and the world

Factors that influence the financial results of the LW Bogdanka Group:

- the rate of increase in domestic and global GDP, including the rate of increase in industrial production
the demand for electricity and heat energy
prices of raw materials on global markets
the level of inflation
the rate of unemployment
changes in exchange rates, and other.

Countermeasures: monitoring all factors, adapting the activities to the market situation and business environment, planning future actions, controlling costs, entering into long-term agreements.



Risk associated with the economic policy of the State in relation to the hard coal mining sector

Plans of the Ministry of Economy and the Ministry of State Treasury concerning enterprises operating in the hard coal mining and power sector have an influence on the market position of the LW Bogdanka Group.

A restructuring plan for Kompania Węglowa S.A. as adopted by the government entails great uncertainty. It relates to the volume of thermal coal production in Poland and, consequently, the possibilities of positioning that coal on the market. Depending on the choice of a restructuring scenario to be executed, this will affect the LW Bogdanka Group's market standing.

Countermeasures: monitoring the process of implementing the restructuring plan for Kompania Węglowa S.A., and reacting to possible illegal state aid in accordance with available legal measures.



Risk associated with the levels of prices of raw materials for power production in Poland and the world

The levels of prices of raw materials for power production are mainly affected by:

- the prices of thermal coal and
raw materials alternative to thermal coal (crude oil, natural gas, renewable sources)

on global markets, and therefore on the domestic market. This is of key significance for the activities conducted by the Group, and especially by the Parent.

Moreover, increases in coal stocks faced by both global and domestic producers due to a decrease in demand for coal, and a decrease in coal and crude oil prices on the international market may exert great influence on the change in the demand for fuel, and consequently, the change in prices of coal and energy on the global and domestic market, which may affect the financial results of the Group.

Countermeasures: monitoring the domestic and foreign markets, controlling prices, entering into long-term trade agreements with main recipients of thermal coal.



Risk associated with the imposition of coal excise tax

The provisions of the Excise Tax Act came into force on 2 January 2012. Under said provisions coal products sold for heating purposes are effectively taxed with excise duty. The Act provides for an extensive range of excise tax exemptions which cover, among other things, electrical power generation. However, the act has also resulted in a greater number of formal requirements as regards documenting the sale of excise tax-exempt coal.

Nevertheless, the risk to the Group is limited, because LW Bogdanka S.A. sells most of its coal volumes for electrical power generation purposes.

Countermeasures: providing excise tax training to the employees, co-operating with reputable tax advisors, requesting tax authorities to issue individual tax rulings, actively participating in the legislation process, introducing provisions to trade contracts that enable the transfer of a potential excise tax burden onto the buyer in case excise tax is imposed on the transaction.



Interest rate risk

LW Bogdanka S.A. and Łęczyńska Energetyka sp. z o.o. are parties to financial agreements based on variable interest rates. The risk refers to loans already contracted, new loans to be contracted and existing loans to be refinanced. An increase in interest rates may bring about a growth of finance costs of the

Group, and consequently, have an adverse effect on the financial results (alternatively, a possible decrease in interest rates may cause the Group's finance costs to fall, and therefore, bring a positive effect on the financial results).

The risk may potentially increase if the share of debt financing continues to grow, since the market of fine coal becomes increasingly difficult (higher bank margins).



Risk associated with changes in exchange rates

The risk within the Group mainly concerns the Parent, and it relates to purchases of specialist equipment which is provided only by foreign manufacturers. It may also occur when coal is exported abroad.

Countermeasures: entering into forward transactions.



Risk associated with the impact of current macroeconomic situation on debt financing availability

In connection with loan agreements in effect and the Bond Issue Program, the Group is able to meet its debt financing needs without entering into new agreements. For more information refer to page 20 of the Report.

The Group's interest-bearing debt (loan and the issued bonds) of the total value of PLN 721,395,000 as at 31 December 2015 accounted for 34.0% of its equity and 19.8% of the balance-sheet total.

Countermeasures: loan agreements concluded and the Bond Issue Program.





Risk associated with the Group's social, economic and market environment

Risk associated with the specific nature of mining sector operations and the possibility of unforeseen events

The operating activities of the LW Bogdanka Group are exposed to risks and dangers resulting from the specific nature of conducting activities in the mining industry.

These include:

- events associated with the environment (e.g. industrial and technological malfunctions)
- extraordinary events, e.g. geotechnical phenomena, mining disasters, fires or flooding of excavations with mine waters
- mining damage

The consequences may include:

- temporary suspension of operating activities, losses relating to property or financial assets
- loss of employees
- potential of the Group being held legally liable

Countermeasures:

- strict compliance with occupation health and safety rules
- ongoing monitoring of risk on particular work positions
- taking precautions

The following factors are also of importance:

- use of advanced and reliable mining machines and equipment, which reduces the risk of industrial malfunctions
- no geological disruptions and the fact that the mining seams are relatively regularly laid out
- relatively low costs of repairing mining damage resulting from the low urbanisation of the area in which the mine extracts hard coal
- high qualifications of the personnel



Risk of restrictive EU climate policy also with respect to the CO2 emissions

The European Commission requires limiting the CO2 emissions on the level of EU member states by 20% until 2020 in accordance with the so called "Europe 2020 strategy", as well as reducing greenhouse gas emissions by 20%, raising the share of energy consumption produced from renewable sources to 20%, and improving the energy efficiency by 20% in accordance with the so called "20-20-20" targets.

In the Polish energy sector, more than 90% of electricity is generated on the basis of coal (hard coal and lignite). The production of electricity from coal is connected with significant CO2 emissions. These limitations may cause significant difficulties with competitiveness and investments in new production capacity. In consequence, the difficulties of the energy sector may result in a decrease in the demand for coal in general, or for coal of lower quality. It may have a negative impact on the sales of coal by the LW Bogdanka Group, and in consequence, may have a negative impact on its financial results.

Countermeasures:

- active involvement in consultations conducted by the Polish mining sector in order to minimise the above risk for domestic coal producers,
- monitoring any amendments to the Energy Law or other acts, and assessing their potential impact on the Group's operations.



Risk of a decrease in demand for hard coal from the Polish power industry

Another mild winter coupled with a decline in demand for energy led to an increase in the volume of coal remaining on coal mounds at commercial power plants. This may translate into a drop in the buyers' demand for coal in the nearest future. The downward trend affecting the demand for thermal fine coal may continue until 2018, which is certain to impact the Parent's (LW Bogdanka's) coal pricing policy.

Imported coal poses some risk to the demand on national coal.

Countermeasures: actions aimed at further long-term securing of supplies of the Company's coal for commercial power production relating to existing and prospective power units within the area of the Company's operations.



Risks directly associated with the Group's operations

Risk associated with the launch of extraction of new deposits at LW Bogdanka S.A.

A material aspect of the operations conducted by the Parent is the necessity to secure future extraction possibilities by providing access to new coal resources.

Restriction of the mining capacity may bring the following consequences:

- shorten the life of the mining plant and/or
- reduce the assumed level of extraction of hard coal, and therefore
- decrease future financial results of the LW Bogdanka Group

At the moment, the Parent is undertaking activities with the aim of obtaining new licences in order to double its resources and secure a raw material base for extraction until 2050.

Countermeasures: further steps to obtain mining licences for the K-6 and K-7 areas (filing a lawsuit with administration court), as well as exploration licences for the Ostrów and Orzechów areas.



Technical and technological risk

Extracting coal from underground seams is a complex process which is subject to strict technical and technological requirements. During such operations, various stoppages can occur due to planned and unplanned technical interruptions (e.g. malfunctions).

In this group of risks, there is also a risk of unexpected, usually local, deterioration of the quality of the deposit.

Countermeasures:

- extraction in the longwall system from four simultaneously active mining faces and two reequipped mining faces,
- availability of the infrastructure – the second mining shaft in Stefanów,
- system of underground coal storage reservoirs,
- raw coal reservoirs on the surface,
- use of advanced mining equipment and machines,
- research and development work aimed at increasing work productivity and safety.



Risk associated with high costs of technologies applied by the Group

The technology of thermal coal extraction involves the use of highly specialised machines and equipment. As a result of the Group's investments related to the Stefanów Field extension, it will be necessary to make further investments in new specialised mining machines.

Due to global concentration of producers of such machines and equipment, there is a risk of unexpected increase in prices of specialised machines and equipment. This could have impact on the increase of investment expenditures. There is also a risk of difficulties in accessing unique spare parts to ensure the operating continuity of the machines and equipment. 2015 saw the commencement of mining from seam 391 which is located about 100 m below seam 382.

As the depth increases, it becomes more difficult to maintain the excavations (rock mass pressures grows), the natural temperature of rock goes up, and some risks increase. This may result in an increase in coal mining costs.

Countermeasures: controlling costs and investment expenditures, use of highly-specialised machines and equipment, high work culture (attention to equipment).



Risk of IT systems malfunctioning

Potential partial or complete loss of data due to malfunction of computer systems may adversely affect ongoing operations, and in consequence influence the Group's future financial results.

Countermeasures:

- implementation of the "Policy for Safety of Information in the IT Systems of Lubelski Węgiel Bogdanka S.A.",
- works are being conducted to assess a possible consolidation and standardisation of IT solutions within the Enea Group.



Key customer risk

Vast majority of the thermal coal produced by the LW Bogdanka Group is sold to a relatively small group of large contracting

parties operating on the domestic market. Therefore, there is a risk that the reduction or termination of cooperation with a key customer of the Group could have an adverse effect on financial results.

Deterioration of the financial/economic situation of any of the main customers may also involve some degree of risk.

Countermeasures:

- analysing the situation and forecasts on the coal supplies and energy market,
- co-operating with renowned institutions dealing with energy sources market analysis,
- co-operating with first-rate law firms,
- managing the risk of long-term contracts.
- looking for new customers who would diversify alternative sale options

The risk of losing key customers may be exacerbated depending on the restructuring scenario for Silesian mines adopted by the Polish government.



Risk associated with competition by other thermal coal producers and the relatively low quality of the coal produced by the Parent

The Group is exposed to price competition from other producers of thermal coal:

- from Poland (e.g. mines of Katowicki Holding Węglowy S.A. and Kompania Węglowa S.A.)
- from eastern markets (including Russia, Ukraine and Kazakhstan)
- other global producers delivered by sea (from the ports of Amsterdam, Rotterdam and Antwerp).

Another risk factor is connected with less favourable quality parameters of the coal compared to the hard coal mined in the Silesia region (its lower calorific value and higher sulphur content). The specific parameters of the coal produced by the Group provide it with a competitive advantage when supplying coal to commercial power producers.

Countermeasures: product tailored to the needs of a buyer, looking for new buyers, reducing a unit cost of production.





Risks directly associated with the Group's operations

Customer insolvency risk

Customer insolvency risk is associated with general level of current receivables of the LW Bogdanka Group payable by its customers and the surplus of Group's receivables in comparison to liabilities. As of the end of 2015, trade debtors and other current accounts receivable of the Group accounted for 6.6% of the carrying value and 12.7% of the Company's revenue. The share of trade debtors in trade debtors and other total current accounts receivable accounted for 83.9%.

Countermeasures:

- monitoring customers' arrears associated with making payments for the products sold,
- analysing the credit risk for the main customers individually, or by the respective classes of assets,
- transactions solely with customers with confirmed creditworthiness.



Risk associated with the strong position of the trade unions

In the hard coal mining sector, trade unions hold a significant position and play an important role in determining staff and payroll policy. They frequently force renegotiations of payroll policy through protest actions. As at the day of submitting this Report, six trade union organisations operate at the Group associating 65.77% of the Group's employees (there are four trade union organisations at LW Bogdanka associating 70.51% of the employees). Strong position of the trade unions creates a risk that the costs of remuneration may increase in the future in connection with negotiated wage agreements, and in consequence adversely affect financial results achieved by the LW Bogdanka Group. Furthermore, possible protests and/or strikes organised by the trade unions could affect the Group's operating activities.

Countermeasures: monitoring the activities of trade unions and engaging in dialogue and negotiations regarding staff and payroll actions.



Risk associated with retaining and attracting human resources for the Group

Due to ongoing works on amendments to the Collective Bargaining Agreement which will consider the change of work organisation and remuneration, there is a risk that a larger number of experienced employees entitled to retirement benefits will leave the Group. These are especially valuable employees because of their knowledge and experience. Their sudden departure in a short period of time could disrupt the generational continuity which is being rebuilt, and in turn, disrupt the mild gradual staff turnover. Countermeasure: building generational continuity.



Key supplier risk

The specific nature of operations requires applying technologies which often involve the use of highly specialised machinery and equipment as well as specialised services. Therefore, there is a risk of problems in finding proper suppliers, as well as a risk of suppliers failing to meet their obligations under concluded agreements. This also applies to providers of specialised mining services, because due to a limited number of such providers on the Polish market, the Company may become dependent upon these entities.

Countermeasures: assessing the risk of threats connected with contract performance at the stage of signing agreements with suppliers, and looking for options of establishing cooperation with other suppliers. What is more, in order to secure the performance of higher risk contracts, it is required that a performance bond is made.



Risk of unfavourable/inappropriate contractual terms being concluded

Due to the high degree of complexity of the agreements (in particular those relating to the purchase of specialist equipment and technology), the Group is exposed to a risk of agreements being concluded on unfavourable terms.

Countermeasures:

- rigorous legal and substantive supervision of the process of concluding agreements resulting from tender procedures

- according to the procedures of public tenders and others;
- training in the logistics of concluding contracts and market analysis, negotiations and trading, in particular at the international level.



Risk of price fixing by the suppliers

The requirement to use highly specialised products and services, as well as legal aspects to be met in order for such products and services to be deemed proper, carry a risk of price fixing. Therefore, there is a potential risk of fixing commercial terms that can be offered to the LW Bogdanka Group by a group of suppliers.

Countermeasures:

- permanent market monitoring and acquiring new suppliers,
- periodic analysis of contract prices and researching new market trends,
- searching for replacement products.





Financial risks and risks associated with environmental protection

Liquidity risk

Important factors in the assessment of insolvency risk are:

- the level of operating cash flows generated by the company
- the amount of cash
- liquidity ratios

The Group's cash at hand as at 31 December 2015 amounted to PLN 262,037,000. The current liquidity ratio for the Group amounted to 1.99, and quick liquidity ratio equalled 1.67. In 2015, net flows from operating activities generated by the LW Bogdanka Group were higher by 2.3% in comparison to 2014. Investment expenditures were significantly reduced as a result of completing a programme for the development of production capacity in the Stefanów Field. Consequently, cash flows from investing activities went down by nearly 39% in relation to 2014.

Countermeasures: long- and short-term analyses and projections to help determine cash needs. Such activities make it possible to plan inflows and outflows in advance, and to determine a cash level and method of financing future expenses that are optimal from the point of view of economic balance. Furthermore, in order to optimise cash management, the Parent obtained debt financing in the form of an overdraft credit facility and a bond issue program. The issue is discussed in more detail on page 20 of the Report.



Insurance risk

The Group is exposed to insurance risk both within standard scope applicable to all entities conducting business activity, and within the scope typical for the mining sector.

In 2015, an insurance review was carried out at the Group, which in turn lead to updating the existing insurance programme. The updated programme is currently being implemented. Its key element is to renew the insurance coverage related to underground property.

Countermeasures: the Group holds insurance policies covering the risk of loss and damage to underground property, third party liability insurance against damage caused in connection with business activity or property in the Group's possession, above-



Moreover, the Parent holds an insurance policy similar to Business Interruption which to a limited extent concerns a portion of fixed costs incurred in case of damage.



Risk associated with reclamation and mining damage

The Bogdanka Group is obliged to carry out reclamation of the post-mining land and remove mining damage. The existing standards of reclamation and mining damage removal may change in the future – it seems that the requirements in this respect will be more strict.

Countermeasures: repair works, protecting buildings against the results of mining damage, reimbursing the costs incurred by investors in connection with adjusting new buildings under construction on the mining land to the current conditions, gradual hydrographic works and prophylactic protection on the facilities within the boundaries of inflows.



Risk associated with tightening of standards and regulations of law with respect to environmental protection and the obligation to obtain permits for the economic use of the environment

The operations of the LW Bogdanka Group, and in particular the operations of the Parent, have a significant impact on the environment. Therefore, the Company must hold specific permits and observe standards of using the environment detailed in applicable laws (including BAT requirements - Best Available Techniques).

In particular with respect to the following:

- emissions of substances and noise to the air;
- water and waste management;
- management of the generated solid waste;
- the use of natural resources.

Countermeasures: the Group monitors legal regulations on an ongoing basis, and adjusts its operations accordingly within the prescribed time limits.



extension of the mining area

In connection with the extension of the mining area and increased extraction of coal, the amount of generated extraction waste significantly increased. It is estimated that the storage capacity of the waste yard is sufficient for up to 3 years of storing. On the basis of a building permit, the Parent has commenced works connected with increasing the height of the existing yard (to 250 MASL), and undertook measures aimed at acquiring adjacent areas in order to further extend the facility. Failure to implement this investment will involve the risk of disrupting the stability of the extraction process and the necessity to search for alternative ways to manage the extraction waste.

Countermeasures: the Group performs works connected with increasing the height of the existing mining waste utilisation facility. Such course of action will make it possible, without undue haste, to continue the work on acquiring new land to execute the next phases of extension of the yard and handle any formal and legal issues connected with this project. The Parent has also purchased a plot of land with the area of approx. 9.0 ha, adjacent to the mining waste treatment facility.



LW Bogdanka S.A. is located in the vicinity of protected areas (a national park, landscape parks, protected landscape areas, ecological channel and two areas subject to Nature 2000 network regulations located partially on the area of the mining land and three others in close vicinity of the mining land). All planned investment activities must be analysed from the perspective of their potential negative impact on protected areas.

There is a risk that in the case of investment activities, certain obligations may be imposed or the requirements concerning the limitation of the negative environmental impact may be stricter. These investment restrictions may require higher investment costs, and therefore, may affect the financial result.

Countermeasures: ongoing monitoring, adjusting business activities to requirements and obligations.





Risk associated with proceedings and legal environment

Risk of change to tax laws

The lack of stability and transparency of the Polish tax system, resulting from constant changes to the laws in force and incoherent interpretation of the tax law, may cause uncertainty with regard to the end result of the financial decisions taken by the Company.

Countermeasures:

- monitoring any amendments to tax laws
• training courses for employees so as to ensure that employees are as competent as possible in this area
• comparing any new issues with the latest tax rulings and relevant case law
• using the services of consulting companies
• following a Transfer Pricing Policy which lays down the fundamental conditions and principles for pricing the transactions concluded within the Group.



Risk of real estate tax on mining excavations of LW Bogdanka S.A.

In accordance with the Parent's strategy, the value of underground excavations and the infrastructure located in these excavations have not been included in real property tax returns for tax assessment purposes.

In 2015 fiscal proceedings were pending against the Parent in order to determine the amount of real property tax due for the period between 2004 and 2014, instigated by the Heads of Puchaczów, Cyców and Ludwin Communes.

Countermeasures:

- monitoring any amendments to tax laws,
• training courses for employees so as to ensure that employees are as competent as possible in this area,
• comparing any new issues with the latest tax rulings and relevant case law,



- using the services of consulting companies. The issue is discussed in more detail in Note 23 of the Financial Statements of the LW Bogdanka Group.



Risk associated with expenses for creating certain mining pits and their classification for the purposes of corporate income tax

Classification of mining pits in accounting books of hard coal mines is carried out on the basis of the purpose of particular pits. They are recorded in accounting books as non-current assets or directly as operating costs and the point when such costs are incurred. Pits comprising a fixed underground mine infrastructure are classified as non-current assets. Exploitation and movement pits are classified as operating costs at the time when such costs are incurred – cost pits. Some of the cost pits were performed earlier than 1 year ago. In the light of the current tax laws, one cannot exclude a possibility of other qualification of this type of costs for the purposes of corporate persons income tax than the one performed by the Company, which could potentially mean decreasing the cost base for tax purposes in past and current settlements of the income tax and a potential payment of additional amounts of the tax.

Countermeasures:

Mining companies have made an attempt to clarify this issue – they suggest changes and clarification of the classification rules concerning this aspect of Non-Current Assets Classification.



Risk of a change in the law and its interpretation and application

The provisions of law in Poland are frequently changed. Interpretations of the law and the way in which it is applied are also changed. Particularly frequent are interpretational changes in tax laws. There is no consistency in the practice of tax authorities or in case law relating to taxation. If tax authorities adopt an interpretation of tax law which differs from that adopted by the



Group or if the Mining Law introduces new requirements, it could lead to deterioration of its financial situation and as a result negatively affect the Group's bottom line and development prospects.

Countermeasures: using the services of legal advisors and consulting companies, and seeking opinions of various bodies specialising in a given subject matter. Where applicable, the Company also files for binding interpretations of law. Despite these measures it is not possible to eliminate risk entirely, however the Management Board believe such risk to be largely limited.



Risk of violating the stock exchange disclosure requirements

Since the Parent is listed on the Warsaw Stock Exchange, the Parent is subject to provisions which impose a number of requirements. For failure to perform or undue performance of the requirements set forth above a very high fine may be imposed.

Countermeasures: strict compliance with the obligations preceded by the introduction of internal procedures for the circulation of stock-exchange information at LW Bogdanka S.A., and permanent monitoring of the Parent's operations with respect to disclosure requirements.





Location of the Company

The entire infrastructure of the mine and the "Puchaczów V" and "Stręczyn" mining areas are surrounded with protected land.

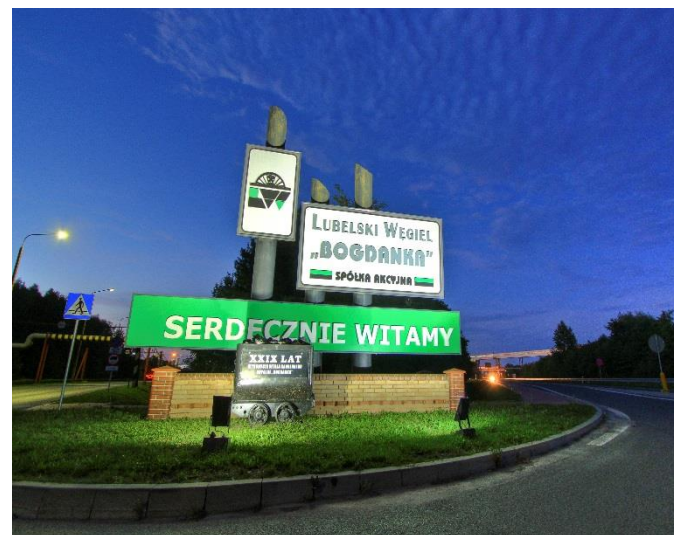
The immediate vicinity features:

- the Polesie National Park
- the Landscape Park
- the Łęczna Lake District

In the north-east, the mining area overlaps with small stretches of the protection zone of the aforementioned landscape park which have been included in the Nature 2000 site – "Jeziora Uściwierskie" (Uściwierskie Lakes) (CODE PLH 060009). The region is also part of the "International Biosphere Reserve – Polesie Zachodnie" area, which surrounds the Mining Area from the north and west.

The Polesie Protected Landscape Area is located in the north-east, while in the south-east there is the Chełm Protected Landscape Area.

The mine does not present an ecological threat in terms of environmental impact. That is due to the Company's long-term pro-environmental actions, implementation of an Integrated Quality, Environmental and Health and Safety Management System, and obtaining a relevant certificate in accordance with PN EN ISO 14001, 9001 and 18001.





NATURAL ENVIRONMENT

Natural environment issues – LW Bogdanka S.A.

Air protection

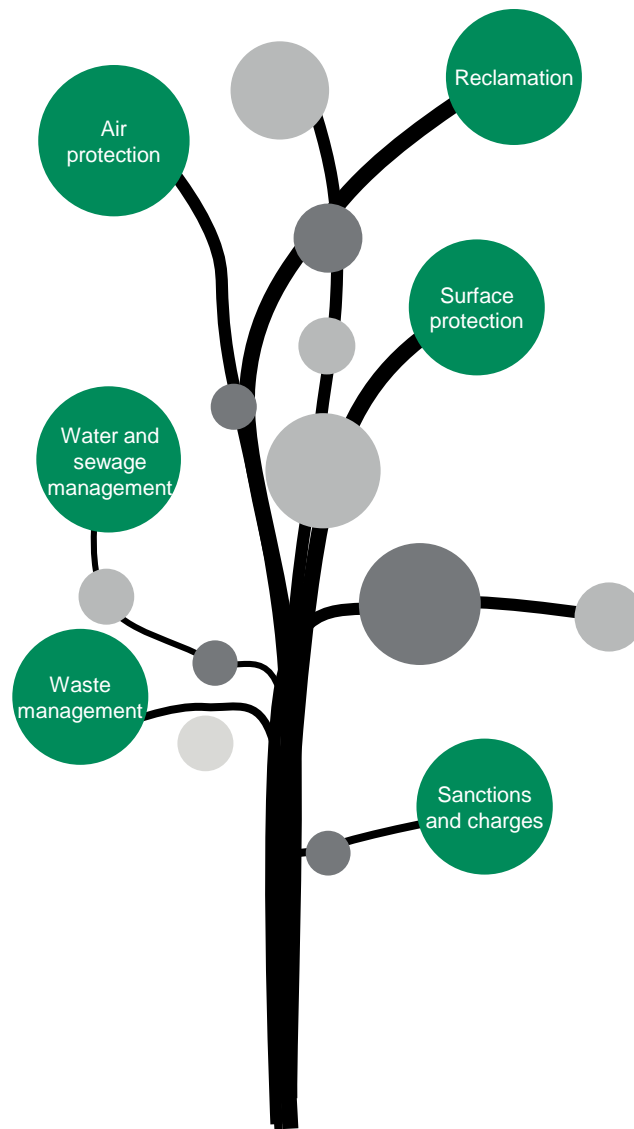
- LW Bogdanka S.A. does not have an organised emitter which emits dust and gas into the atmosphere.
- An unorganised emitter is the waste rock disposal area, which may be a source of dust on dry and windy days.

Water and sewage management mainly concerns mine water, and includes:

- rock mass drainage at working sites,
- controlled drainage of Jurassic layers,
- use of water for fire and process purposes,
- pumping water to the surface,
- use of mine water on the surface (Mechanical Coal Processing Plant, Łęczyńska Energetyka Sp. z o.o.),
- retention of mine water in surface tanks in order to reduce suspension,
- discharge of water from tanks through the Rów Żelazny ditch into the Świnka River in the amount of about 15,776 m³/day.
- the content of chlorides and sulphates in mine water is 968mg/dm³.

Waste management:

- In 2015, total mining waste amounted to 4,971,527 tonnes.
- Approximately 53% of waste was recovered and reused. Waste recovery, i.e. using waste to rehabilitate land, strengthen roads and yards, produce cement in the “Ożarów” Cement Plant and for other purposes, amounted to 2,649,322 tonnes.
- 97% of waste is used for the purpose of rehabilitation of degraded land. It involves restoration of the original lay of the land by filling abandoned sand pits with mining waste, and then covering them with a layer of soil, and using for agricultural purposes or forestation.
- Other post-mining waste (2,322,205 tonnes) is stored at the mining waste neutralization facility in Bogdanka. LW Bogdanka S.A. manages other post-industrial waste (scrap, waste wood, used oil, etc.) and contracts treatment of waste which cannot be reused (used light sources, conveyor belt off-cuts, adhesive and paint containers, etc.).



Reclamation

- In 2015, LW Bogdanka S.A. did not perform land rehabilitation works in post-industrial areas.
- Maintenance works are performed on an ongoing basis with respect to the greenery, a facility used as a mining waste dump, previously-remediated post-industrial land in the area of the Bogdanka, Nadrybie and Stefanów Fields, and railway facilities in Zawadów.

Surface protection

- The influence of mining works performed in 2015 on the surface – as to date – manifested itself mainly as an increase in the surface scope of the existing impact.
- In the area of the village of Bogdanka and Nadrybie Wieś maximum soil settlement remains at a level of 5.00 m in the central part of the settlement basin.
- Damage to buildings in 2015 – as to date – were primarily related to rural buildings. The reported damage to those buildings did not pose any threat to their users and were removed on an ongoing basis.
- The costs of removing damage caused by mining works performed in 2015 amounted to a total of approx. PLN 5.04 million.

Environmental protection sanctions and charges to which the Company is exposed

- Mining activity is associated with operating and environmental charges, and a number of costs connected with:
 - post-mining waste management,
 - post-industrial land rehabilitation,
 - environmental monitoring,
 - preparation of certified reports and documentation necessary for proper operation of the plant.
- The exploitation charge is paid every half a year to the accounts of communes where exploitation is conducted (60%) and towards the National Environmental Protection Fund (40%). The licence fee is in 40% the income of the National Environmental Protection Fund, and in 60% the income of the mining communes.
- LW Bogdanka S.A. complies with environmental standards, and did not incur any penalties in 2015 for violation of environmental rules laid down in the applicable laws.

NATURAL ENVIRONMENT

Natural environment issues - Łęczyńska Energetyka sp. z o.o. and other Subsidiaries

Environmental protection activities by Łęczyńska Energetyka

Air protection

In 2015, Łęczyńska Energetyka sp. z o.o. operated the following boiler houses:

- in Bogdanka (power 57 MW, coal co-burned with biomass)
- in Zawadów (power 0.25 MW, coal and waste wood)
- the Pasternik boiler house in Łęczna (power 4.0 MW, light fuel oil, a reserve boiler house)

With respect to air protection, the Company holds relevant decisions of the Ministry.

Water and sewage management

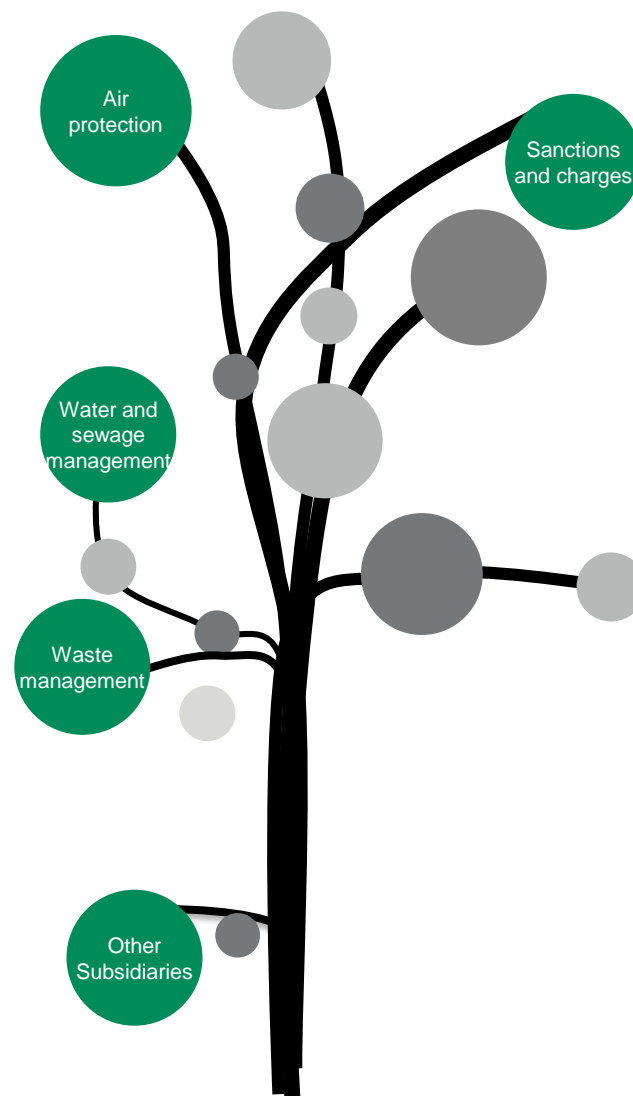
Currently, Łęczyńska Energetyka runs three potable water intakes: in Bogdanka, Nadrybie and Stefanów, and two wastewater treatment plants:

- a mechanical / biological plant in Bogdanka with the capacity of 700 m³/24 hours
- a mechanical / biological plant (Bioblok) in Nadrybie with the capacity of 400 m³/24 hours

Waste management

Łęczyńska Energetyka conducts waste management in accordance with decisions that it has at its disposal. The waste generated is as follows:

- slags, furnace ashes, and dusts from boiler houses
- ash and slag mixtures from liquid waste discharge of combustion waste
- sediments from the wastewater treatment plant in Bogdanka and Nadrybie
- screenings from the waste treatment plant
- sand from the sand trap
- used oil
- other solvents and solvent mixtures
- waste printer toner
- fluorescent and mercury lamps, monitors
- chemical reagent packagings
- non-segregable municipal waste, plastic packaging, used cleaning materials and sorbent
- steel and cast iron scrap, non-ferrous metals scrap
- concrete waste and concrete rubble from demolished structures and repairs
- brick rubble, glass
- packaging containing residues of or contaminated by dangerous substances
- used electronic devices (computers etc.)



Environmental protection activities of EkoTrans Bogdanka, RG Bogdanka, and MR Bogdanka

- EkoTrans BOGDANKA provides services to the mine with respect to transportation and management of spoil arising during coal-associated shale cleaning and washing. RG Bogdanka and MR Bogdanka were not engaged in any environmental protection activities.

Environmental protection sanctions and charges to which Łęczyńska Energetyka is exposed

Charges for the economic use of natural environment

[PLN]	2013	2014	2015
Emissions of pollution from boiler houses:			
•in Bogdanka	108,420	93,080	88,283
•in Łęczna	-	-	-
•in Zawadów	1,775	1,792	1,489
For underground water intake and sewage discharge in Bogdanka, Nadrybie and Stefanów	85,788	75,624	89,806
Łęczyńska Energetyka sp. z o.o.	195,983	170,496	179,578

An initial estimate of the total charge for business use of the environment in the financial year 2015 was higher than in the previous year by 5.32%. The final figure of the charge in question will be known by the end of March 2016. The analysis of individual components of charges for the protection of the environment has demonstrated the following:

- decrease in the charge for emissions from the boiler house in Bogdanka by 5.2% in comparison to 2014 due to a reduction in fuel consumption by 3.8%
- decrease in the charge for emissions from the boiler house in Zawadów by 16.9% due to a reduction in fuel consumption by approx. 8.5%
- increase in the charges for the use of the environment in terms of water intake and wastewater discharge by 18.8% was a direct consequence of a greater consumption of water for technological purpose and an increase of quality factors of wastewater discharged.

No fines for exceeding set emission limits were imposed on the Company. An estimated volume of CO₂ emissions amounts to 44,590 Mg, and the limit granted for 2015 stands at 20 383 Mg.



Workforce changes

Workforce at the Group

2015 brought a 9.7% decrease in workforce in the Group. Most cases of staff leaving were due to retirement.

In 2015 the personnel employed at the Parent accounted for 87.1% of total employment in the Group. Workers accounted for 86.7% of all employees. In comparison with 2014, the number of underground staff went down by 553 people, i.e. 12.8%. Underground personnel constituted the main group employed in the Group, i.e. 72.0%.

HR policy implemented in 2015

The Bogdanka Group's personnel policy is implemented with the aim of effective HR management by hiring, developing and retaining an optimal level of workforce to enable proper fulfilment of the Companies' objectives.

In particular, it aims at selecting and shaping the employee's competencies in such a way as to prepare them as best as possible for effective implementation of the LW Bogdanka Group's goals and objectives, while having a sense of self-fulfilment and satisfaction from their work.

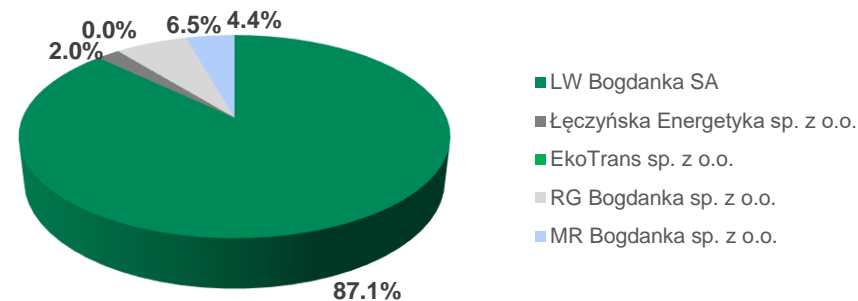
The occurrence of a generation gap is prevented by:

- collaboration with educational institutions, organisation of apprenticeships and internships,
- building the image of a desirable employer and acquiring the best candidates.

Procedure of increasing qualifications, training and development of human resources

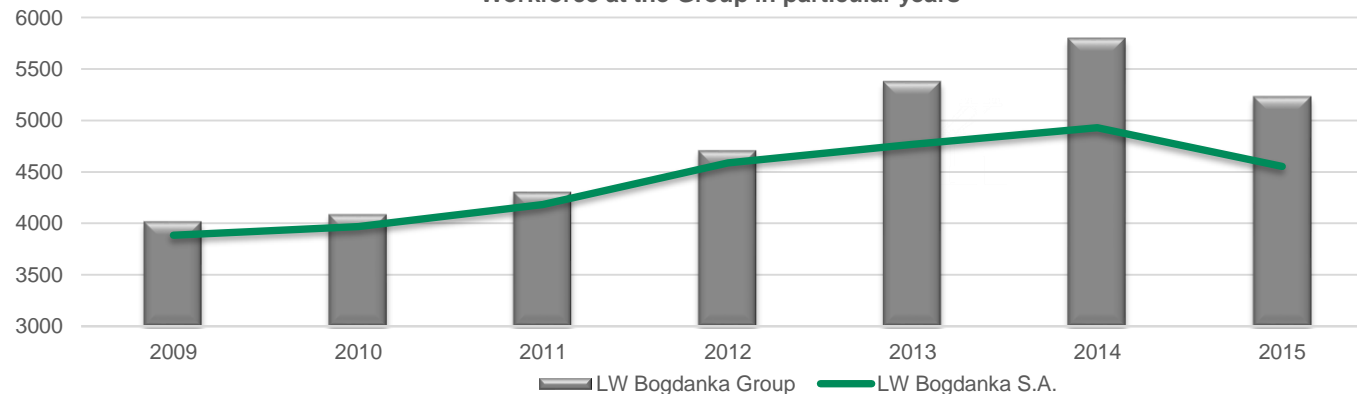
All employees have equal access to training and opportunities to improve their qualifications. In 2015, the LW Bogdanka Group organised internal and external training. Employees took part, out of their own initiative and upon consent of their superior, in external training and conferences to expand their knowledge.

Workforce structure at the Group broken down into companies



[people - as at 31 December]	2009	2010	2011	2012	2013	2014	2015	Structure	Change 2015/2014
Total									
LW Bogdanka S.A.	3,885	3,968	4,184	4,587	4,768	4,930	4,555	87.1%	-7.6%
Łęczyńska Energetyka sp. z o.o.	131	119	119	118	116	114	106	2.0%	-7.0%
EkoTrans sp. z o.o.	-	-	-	-	2	2	2	0.0%	-
RG Bogdanka sp. z o.o.	-	-	-	-	491	532	339	6.5%	-36.3%
MR Bogdanka sp. z o.o.	-	-	-	-	-	217	228	4.4%	5.1%
The Bogdanka Group	4,016	4,087	4,303	4,705	5,377	5,795	5,230	100.0%	-9.7%

Workforce at the Group in particular years





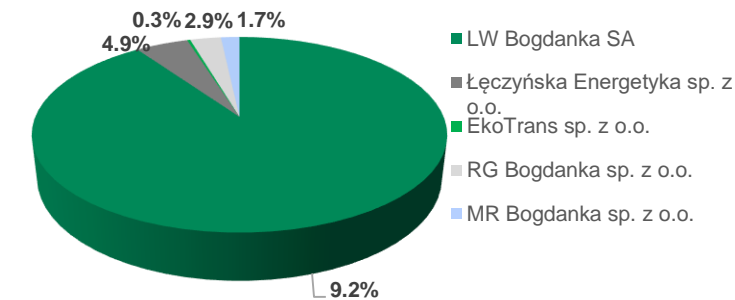
Workforce changes

[people]	2009	2010	2011	2012	2013	2014	2015	Structure	Change 2015/2014
Full-time employees									
LW Bogdanka S.A.	549	564	596	621	643	665	628	90.2%	-5.6%
Łęczyńska Energetyka sp. z o.o.	40	43	44	44	43	42	34	4.9%	-19.0%
EkoTrans sp. z o.o.	-	-	-	-	2	2	2	0.3%	0.0%
RG Bogdanka sp. z o.o.	-	-	-	-	19	21	20	2.9%	-4.8%
MR Bogdanka sp. z o.o.	-	-	-	-	-	11	12	1.7%	9.1%
LW Bogdanka Group	589	607	640	665	707	741	696	100.0%	-6.1%

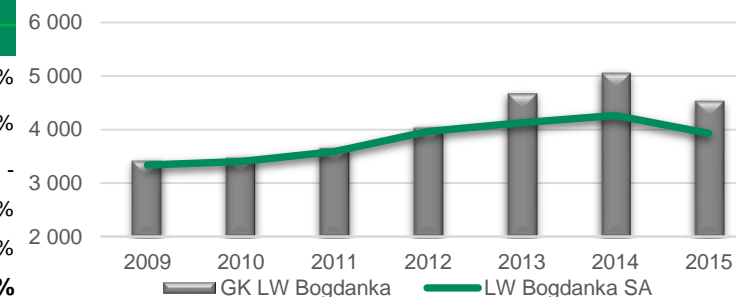
[people]	2009	2010	2011	2012	2013	2014	2015	Structure	Change 2015/2014
Blue-collar workers									
LW Bogdanka S.A.	3,336	3,404	3,588	3,966	4,125	4,265	3,927	86.6%	-7.9%
Łęczyńska Energetyka sp. z o.o.	91	76	75	74	73	72	72	1.6%	0.0%
EkoTrans sp. z o.o.	-	-	-	-	-	-	-	-	-
RG Bogdanka sp. z o.o.	-	-	-	-	472	511	319	7.0%	-37.6%
MR Bogdanka sp. z o.o.	-	-	-	-	-	206	216	4.8%	4.9%
LW Bogdanka Group	3,427	3,480	3,663	4,040	4,670	5,054	4,534	100.0%	-10.3%

[people]	2009	2010	2011	2012	2013	2014	2015	Structure	Change 2015/2014
Underground workers									
LW Bogdanka S.A.	2,838	2,895	3,010	3,343	3,515	3,641	3,295	87.5%	-9.5%
Łęczyńska Energetyka sp. z o.o.	-	-	-	-	-	-	-	-	-
EkoTrans sp. z o.o.	-	-	-	-	-	-	-	-	-
RG Bogdanka sp. z o.o.	-	-	-	-	470	525	323	8.6%	-38.5%
MR Bogdanka sp. z o.o.	-	-	-	-	-	153	148	3.9%	-3.3%
LW Bogdanka Group	2,838	2,895	3,010	3,343	3,985	4,319	3,766	100.0%	-12.8%

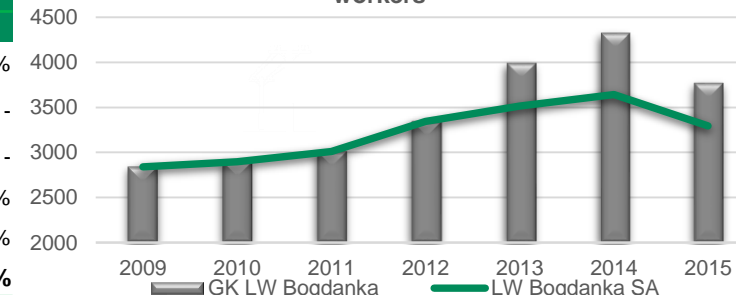
Workforce structure at the Group – full-time employees



Workforce in particular years – blue-collar workers



Workforce in particular years – Underground workers





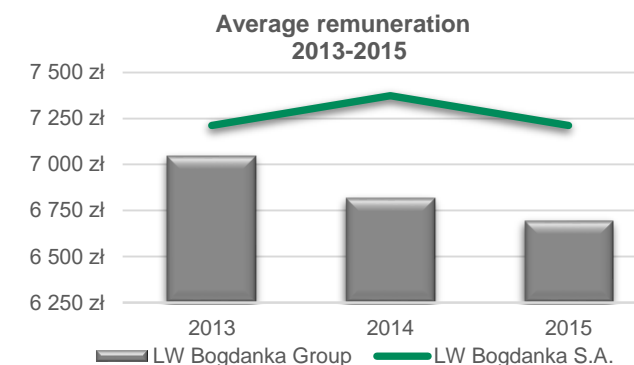
Average monthly remuneration

The average monthly salary in the Group stood at PLN 6,690.83 gross and was by 1.8% lower than the average remuneration in 2014.

Average remuneration in the LW Bogdanka Group*

[PLN]	2013	2014	2015	Change 2015/2014
Total				
LW Bogdanka S.A.	7,211	7,374	7,211	-2.2%
Łęczyńska Energetyka sp. z o.o.	3,976	4,333	4,824	11.3%
EkoTrans sp. z o.o.	7,982	7,491	7,706	2.9%
RG Bogdanka sp. z o.o.	2,948	3,102	2,880	-7.1%
MR Bogdanka sp. z o.o.	-	3,148	3,245	3.1%
LW Bogdanka Group	7,043	6,815	6,691	-1.8%

* payroll fund charged to the costs of the Group's Companies





The Group's marketing activities in 2015

Types of promotional activities:

- advertising sponsorship, sports is understood as support of all sports activities conducted by the main beneficiary of the budget, i.e. Górnik Łęczna S.A., which manages tournaments of a football team that competes in Ekstraklasa (Polish premiere football league), and runs the Górnik Łęczna Sports Academy in order to accomplish its mission, which is to promote sports rivalry among young people. In exchange for the sponsorship, Górnik Łęczna S.A. provided LW Bogdanka S.A. with promotional and advertising services specified in an agreement.
- advertising sponsorship, other is understood as all activities related to the provision of advertising by the entities sponsored, in exchange for the sponsorship of important social, cultural, scientific, technical and other events of significance for the social image of the brand. This promotion channel applies in particular to CSR activities.
- promotion – promotional mix for the Bogdanka corporate brand is understood as public relations, Corporate Social Responsibility and publicity activities 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 public advertising in advertising media and all other marketing activities related to promotion in its traditional sense [sales promotion]. These tasks are executed in-house by the Company's marketing, PR and CSR units.

The rationale behind the marketing activities undertaken:

I Achieving marketing objectives, i.e.:

- Continued creation of the Group's image as a leader of the mining industry on the Polish and European market. An increase in the value of the LW Bogdanka Group's brand through a range of advertising services provided by sponsored entities. Obtaining high media coverage whose value in terms of advertising is higher than the funds engaged in sponsorship
- Confirming credibility in the eyes of current and future business partners and investors

- Achieving the influence of the dynamic and modern image of sport on the image of the Group. Obtaining a low cost of reaching target groups by the mass character of sponsored sport disciplines
- Promotion of the image of the Group and its shareholders by sponsorship. Promotion of the Parent's products within the message directed to the target group, which is to be influenced by sponsoring
- Ensuring dynamics of the Parent's image in the capital market. Creating the image of the Company on the national and international arena in the context of its own plans of expansion and development, and consequently the increase in the value of the Company on the capital market
- Development of appropriate public relations for the Parent in Poland and in the region. Strengthening the importance of the Group for the Lublin region and for Poland in the community and opinion-forming awareness

II Achieving social aims, i.e.:

- Minimising high risk of conflicts in the LW Bogdanka Group between the employer and trade unions, maintaining social order in the Group. Mitigating possible social tensions and creating an atmosphere of friendly attitude towards the Group's projects
- Maintaining good relations with employees, which translates into continued high performance of work provided by them
- Satisfying expectations of the local community in the region, which is one of the poorer regions of Poland
- Involvement of local youth into sport and social events of educational dimension, properly forming personalities of prospective future employees of the Group — in particular at the Górnik Łęczna Sports Academy
- Activating the community of the Lublin region into sport, social and cultural events
- Creating the image of a socially responsible company, caring about employees and their families

No.	Advertising budget (in PLN '000)	Execution
1	Promotion of the Bogdanka corporate brand	658
2	Advertising sponsorship, sports (sponsorship cooperation with Górnik Łęczna S.A.)	5,200
3	Advertising sponsorship, other	174
	TOTAL	6,032





The Group's marketing activities in 2015, as well as court and out of court proceedings

The common denominator for the above scopes, especially with respect to shaping the brand's corporate image, is the existing CSR Strategy.

Promotional activities for the Bogdanka corporate brand focused mainly on the brand image — these activities were conducted, first and foremost, in the Lublin region, as well as at nationwide events addressed to the mining and power engineering sectors. In both cases the Parent's advertising was aimed at fostering a positive corporate image of the company as a large, innovative and expansive business (building the success dimension of the brand), as well as a reliable employer which, while achieving market success, remains sensitive to the problems of the people, region and the environment in which it operates [building the social dimension of the brand]. The fundamental PR operations conducted in 2015 concerned mainly the press media market. The objective of the PR activities was to develop desirable positive attitudes towards the Parent among decision- and opinion-making bodies in connection with the difficulties suffered by the mining sector and the thermal coal market in 2015, as well as the Company's presence on the Warsaw Stock Exchange (to shape the attitude of the shareholders towards changes in the price of LW Bogdanka's shares, and to build the Group's goodwill in the context of decisions made by the shareholders).

Advertising at cultural and scientific events (for example sponsorship of a regularly-held Carnival of Magicians in Lublin) greatly contributed to the creation of a positive brand image in the community, as well as among researchers, decision- and opinion makers and emphasised the importance of the LW Bogdanka Group for the Lublin region as one of the few large and expansive companies in that area.

The promotional activities mainly consisted in displaying the logo of the Bogdanka brand at events considered important for the region and the corporate brand from the point of view of advertising and target groups. Information about the range of products offered by the LW Bogdanka Group was actively distributed at cultural, educational and other events.

The advertising activities listed above had a significant impact on the promotion of the Bogdanka brand. Radio and television broadcasts of sports tournaments and sponsored social or sports events, articles about sports teams sponsored by the Company and their photographs published in the press demonstrated the Company's commitment to the promotion of sports and active

lifestyle. All these activities were aimed at promoting the Company's image — domestic and international success, earning the trust of public circles that have an influence on the Company's operations.

The Company's promotional budget for 2015 was also used to finance projects that correspond to the CSR concept, including an educational path around a reservoir in Nadrybie developed together with the Polish Society for the Protection of Birds. Such activities are among other things aimed at showing the Company's concern about its environment, thereby increasing the level of employees' identification with the Company's corporate brand and creating their need to be the ambassadors of their employer's brand.

In conclusion, the sponsorship of Górnik Łęczna S.A. (together with the Górnik Łęczna Sports Academy), as well as the purchase of advertising in nationwide media, promoted the Bogdanka brand all over Poland. Advertising activities at various conferences, conventions and trade meetings fostered a positive image of the Lublin mine among decision-makers, scientists and entrepreneurs representing the Lublin region, as well as the whole country. Brand promotion at cultural and social events proved to be an excellent means of building a positive image of the Parent among private customers.

Donations

The Bogdanka Group is a valued employer in the region. The Group's asset are the people who identify with the business and its mission. The Group's personnel, together with their families, account for over 12,000 individuals who are directly and indirectly associated with and financially dependent on the mine.

In its operations, apart from achieving positive economic results, the Group has to show interest in fostering values that integrate local communities. This is reflected in the support given to local social initiatives aimed at developing culture, research, education and health care, as well as building communal infrastructure and meeting other needs of the local community. Moreover, the Group sponsors sports and cultural activities. This philosophy benefits the LW Bogdanka Group, helps to promote a favourable image of a business that cares about non-economic activities and, first and foremost, encourages local initiative. The donations made by the Company in 2015 amounted to PLN 234,765.40.



Court and out of court proceedings

As of the date of submitting this Report, the Group has no information on any proceedings pending before: a court, the relevant authority for arbitration proceedings or a public administration authority in which LW Bogdanka S.A. or its Subsidiary is a party, concerning:

- liabilities or claims of LW Bogdanka S.A. or its Subsidiary worth at least 10% of LW Bogdanka S.A.'s equity,
- two or more proceedings concerning liabilities or claims worth a total of at least 10% of LW Bogdanka S.A.'s equity.

Arrangement proceedings

In 2015, the LW Bogdanka Group was not a party in arrangement proceedings.

More information on proceedings to which LW Bogdanka was a party is available in the Directors' Report on Operations of LW Bogdanka S.A. for the period from 1 January 2015 to 31 December 2015.



Information on the auditor responsible for auditing the report and rules for preparing the annual separate financial statements

Information on the auditor responsible for auditing the report

On 13 August 2015, an agreement was concluded with Deloitte Polska sp. z o.o. sp. k. as an entity authorised to:

- review the financial statements and the consolidated financial statements of the Group for the first six months of 2015, 2016 and 2017,
- audit the financial statements of the Company and the consolidated financial statements of the Group for 2015, 2016 and 2017.

More information on the selection of the auditor is available in Current Report No. 20/2015 of 26 June 2015.

The table contains information on fees payable to the entity auditing the statements in 2014-2015.

The term of the agreement entered into by and between the LW Bogdanka Group and the auditor is 3 years. The agreement remains in force and effect until 2017.

Basis of preparation of the Annual Consolidated Financial Statements

The consolidated financial statements of the LW Bogdanka Group for the period from 1 January 2015 to 31 December 2015 were prepared on the basis of the International Financial Reporting Standards and related interpretations published in the form of regulations of the European Commission.

The consolidated financial statements were prepared according to the historical cost principle except for derivative instruments measured at fair value and share-based payments, including the valuation at fair value of certain components of property, plant and equipment in connection with assuming fair value as a deemed cost, which was carried out as at 1 January 2005.

The consolidated financial statements were prepared using the same accounting principles for the current and comparative periods.

Differences between financial results and projected results for 2015 published earlier

The LW Bogdanka Group did not publish projections of the separate or consolidated financial results of the Group.

Deloitte PL* (PLN '000)	2014	2015
• audit of annual financial statements	60	106
• review of financial statements	40	69
• other certifying services (verification of ratios)	45	39
Total	145	214

* Deloitte Polska sp. z o.o. sp.k.





3. Financial standing



Production, sales and inventories of coal

Information on current and forecast economic and financial position of the LW Bogdanka Group with the assessment of financial resources management

The current market situation (oversupply of coal, constant pricing pressure from customers, sales of coal piled in the heaps at understated prices) forces the Parent to take various measures in order to keep liquidity and performance results at a level adequate to the market situation. The LW Bogdanka Group monitors on an ongoing basis the level of costs, ratios and the level of accumulated cash. The agreements that are signed at the moment (on the issue of bonds, overdraft facility, and loans) together with the level of cash held guarantee current financing.

Works are consistently conducted to optimise the mining process (in terms of the technologies employed) and, simultaneously, a cost reduction program is being implemented (decrease of the coal extraction unit cost). All works (new excavation planning, extraction and sale of commercial coal) take into account existing and future market risks (decline in demand for thermal coal and in its price). Works to prepare new excavations for operational exploitation are carried out in order to ensure the continuity of extraction. Global coal prices are monitored on an ongoing basis.

The LW Bogdanka Group pays its liabilities when due. The Group effectively manages its financial resources and, at the same time, deposits free funds with banks (for durations and in amounts determined on the basis of in-house short-term financial forecasts). As at the date of drawing this information, the Group sees no threats that could deteriorate its ability to pay its liabilities in the future.

Production, sale and inventories of coal

In the fourth quarter of 2015, the production of commercial coal in the Parent decreased by 1.3% compared to the same period of 2014 and amounted to 2,527,000 tonnes.

In the period from January to December 2015, the production of commercial coal was 8,457,000 tonnes, i.e. it was lower by 8.0% than in the same period of 2014. The decline in coal production is connected to the adverse market situation (oversupply of coal), which means that the production of coal was effected without using full production capacities and is tailored to the level of sales and warehousing capacities of the Parent.

Production of commercial coal by the Parent.

['000 tonnes]	2014	2015	Change	Change %
Production of commercial coal	9,192	8,457	-735	-8.0%
['000 tonnes]	Q4 2014	Q4 2015	Change	Change %
Production of commercial coal	2,561	2,527	-34	-1.3%

Structure of commercial coal production by the Parent

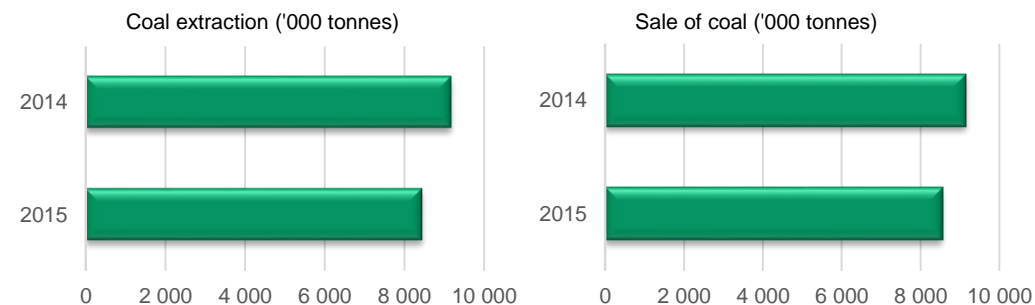
[%]	Q4 2014	Q4 2015	2014	2015
Fine coal	97.5%	98.7%	98.0%	98.5%
Nut coal	0.6%	0.7%	0.5%	0.6%
Pea coal	1.9%	0.6%	1.5%	0.9%
Total	100.0%	100.0%	100.0%	100.0%

In all analysed periods the structure of production did not change significantly – thermal fine coal remained the dominant assortment (its share in the production was in the range of 98%-99%).

In the fourth quarter of 2015, the sales of coal grew by 9.1% compared to the fourth quarter of 2014. In the period from January to December 2015, the sales of commercial coal amounted to 8,562,000 tonnes, i.e. they were smaller by 6.6% than in the same period of 2014.

Commercial coal sales at the Parent.

['000 tonnes]	2014	2015	Change	Change %
Sale of commercial coal	9,163	8,562	-601	-6.6%
['000 tonnes]	Q4 2014	Q4 2015	Change	Change %
Sale of commercial coal	2,340	2,554	214	9.1%





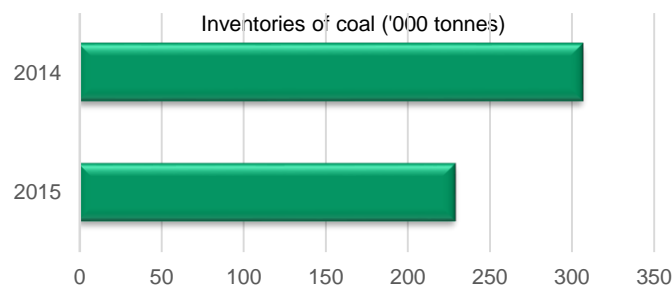
Revenue and key customers

As at the end of Q4 2015, the inventories of coal at the Parent amounted to 228,000 tonnes which means a drop by 78,000, i.e. by 25.5%, compared to 31 December 2014. The level of coal inventories as presented for the end of Q4 2015 corresponds to approx. seven days of commercial coal production (on the basis of an average 12-month daily production).

Inventories of coal

[’000 tonnes]	31 Dec. 2014*	31 Dec. 2015	Change	Change %
Inventories of coal	306	228	-78	-25.5%

*The presented level of inventories as at 31 December 2014, took into account a coal deposit (116,000 tonnes) for several customers. This deposit was accounted for in total by the Parent (supplied to customers) in Q1 2015.



The information on coal market in Poland is presented in the Directors' Report on Operations of the LW Bogdanka Group for 2015 on pages 23-27.

Revenue and key customers

In Q4 2015, the LW Bogdanka Group generated revenue in the amount of PLN 558,387,000, which represents an increase by 6.7% compared to Q4 2014. The revenue for January-December 2015 amounted to PLN 1,885,371,000 compared to PLN 2,013,568,000 in the analogous period of 2014, which means a drop in revenue by 6.4% y/y.

The main source of revenue on sales of the LW Bogdanka Group is the production and sale of thermal coal performed by the Parent. In each of the compared reporting periods this activity generates nearly 95% of the the LW Bogdanka Group's revenue.

In the consolidated annual financial statements published by the LW Bogdanka Group, for presentation purposes, data concerning revenue on coal sales and costs of products, goods and materials sold is adjusted (downwards) by the value of sold coal that was obtained by the Parent during drilling of excavations. Bearing in mind the above, the values indicated in the consolidated income statement for

the period from 1 January to 31 December 2015 was adjusted by PLN 58,802,000, while in the same period of the previous year – by PLN 92,487,000.

More than 94% of coal sales (in terms of value) in the period from 1 January 2015 to 31 December 2015 was effected between the Parent and Enea Wytwarzanie sp. z o.o., ENGIE Energia Polska S.A., ENERGA Elektrownie Ostrołęka S.A., PGNiG Termika S.A., Grupa Azoty - Zakłady Azotowe Puławy S.A. and EDF Paliwa sp. z o.o. For the period from 1 January 2014 to 31 December 2014 the share of the above customers in revenue of the sales of coal was similar.

The following companies were customers whose share in the Parent's sales in 2015 exceeded 10% of the total revenue:

- Enea Wytwarzanie sp. z o.o. – Enea Group – approx. 42% of share in the revenue
- ENGIE Energia Polska S.A. (Połaniec) – approx. 20% of share in the revenue
- ENERGA Elektrownie Ostrołęka S.A. - approx. 11% of share in the revenue

Dynamics of changes in product range with respect to revenue

[PLN '000]	Q4 2014	Q4 2015	Change	Change %	2014	2015	Change	Change %
Sale of coal	498,158	536,777	38,619	7.8%	1,919,695	1,808,804	-110,891	-5.8%
Sale of ceramics	21,261	17,692	-3,569	-16.8%	77,890	62,585	-15,305	-19.6%
Other operations	3,443	3,858	415	12.1%	12,230	12,797	567	4.6%
Sale of goods and materials	362	60	-302	-83.4%	3,753	1,185	-2,568	-68.4%
Total revenue	523,224	558,387	35,163	6.7%	2,013,568	1,885,371	-128,197	-6.4%

In Q4 2015 revenue on other operations (which includes revenue of subsidiaries) were PLN 17,692,000 (3.2% of total revenue), compared to PLN 21,261,000 (4.1% of revenue) in the analogous period of 2014 (-16.8% y/y). A significant share in that group of revenue was held by:

- revenue from services of coal transport provided by the Parent for the benefit of some customers (this item had the largest impact on the decrease in revenue in that group),
- revenue of Łęczyńska Energetyka on sales of heat energy to external companies,
- revenue on the lease of non-current assets,
- revenue on industrial services provided to companies performing works contracted by the Parent.



Sales and provisions at the LW Bogdanka Group

In the period from 1 January 2015 to 31 December 2015, income on other operations went up by PLN 62,585,000 compared to PLN 77,890,000 in the same period of 2014. As in Q4, the decrease in revenue in that group is attributable to lower revenue on coal transport services provided by the Parent for the benefit of some customers,

The share of revenue from the sale of goods and materials in Q4 2015 was the same as that recorded for Q4 2014 and was 0.7%. In 2014 and 2015 (both Q4 and four quarters), the dominant position in this group of revenue was revenue from the sales of scrap by the Parent.

Revenue - structure by product types

[%]	Q4 2014	Q4 2015	2014	2015
Sale of coal	95.1%	96.1%	95.3%	95.9%
Other operations	4.1%	3.2%	3.9%	3.3%
Sale of goods and materials	0.7%	0.7%	0.6%	0.7%
Sale of ceramics	0.1%	0.0%	0.2%	0.1%
Total revenue	100.0%	100.0%	100.0%	100.0%

The Group operates primarily in Poland. In Q4 2015, the member companies of the LW Bogdanka Group did not export products and goods. For four quarters of 2015 the share of exports in the total revenue was 0.1% (PLN 2,743,000) which was mainly attributable to export of coal by the Parent beyond our eastern border. In four quarters of 2014 the exports covered primarily ceramic products.

Geographical structure of revenue

[PLN '000]	Q4 2014	Structure	Q4 2015	Structure	2014	Structure	2015	Structure
Domestic sales	523,195	100.0%	558,387	100.0%	2,013,120	100.0%	1,882,628	99.9%
Foreign sales	29	0.0%	0	0.0%	448	0.0%	2,743	0.1%
Total revenue	523,224	100.0%	558,387	100.0%	2,013,568	100.0%	1,885,371	100.0%

Suppliers

The granting of contracts by entities conducting business activities involving mining hard coal for the purpose of conducting those business activities is subject to the provisions of law on sectoral public contracts. At the LW Bogdanka Group all procurement orders above the thresholds, as defined in the Public Procurement Law, are granted in compliance with the procedures specified in the abovementioned Act. Other orders are made based on procedures applied at the Parent.

The principal suppliers for the LW Bogdanka Group include companies that provide services and offer products characteristic for mining industry (drilling and reconstructions of workings, output dump, as well as supply of support systems for longwall galleries, specialist mining machines and equipment) and ones that provide electricity. Between 1 January 2015 and 31 December 2015, the value of the turnover with any supplier did not exceed 10% of the Group's total revenue.





FINANCIAL STANDING

Provisions

Provisions at the LW Bogdanka Group

Balance-sheet provisions

[PLN '000]	31 Dec. 2014	31 Dec. 2015	Change
Employee provisions	226,724	251,537	10.9%
Provision for real property tax	23,258	23,881	2.7%
Provision for the mine closure costs and reclamation	123,585	130,179	5.3%
Mining damage	9,155	8,497	-7.2%
Provision for ZUS claims for occupational injury contribution	15,901	18,727	17.8%
Other	25,295	29,907	18.2%
TOTAL	423,918	462,728	9.2%

The total provisions as at 31 December 2015 amounted to PLN 462,728,000, which means an increase by 9.2% compared to the value as at the end of 2014. Employee provisions grew by 10.9% and amounted to PLN 251,537,000 as at 31 December 2015. Because of the implemented retirement of employees of the Parent the provision for pension and disability severance pays went down. At the same time an increase was observed in the provisions for coal allowance (because of changing assumptions to the actuarial valuation model) and for holidays as well as in the payroll fund (creating, at the Parent, of a provision for a future liability).

Change in provisions

The change in provisions in the fourth quarter of 2015 was PLN +27,543,000 compared to PLN -11,817,000 in the fourth quarter of 2014. The change in provisions in the period from 1 January to 31 December 2015 was PLN +38,810,000, while in the same period of the previous year it was PLN +73,773,000.

[PLN '000]	Change in Q4 2014	Change in Q4 2015	Change	Change in 2014	Change in 2015	Change
Employee provisions	-9,917	10,292	-	26,694	24,813	-7.0%
Provision for real property tax	-10,786	-507	-95.3%	-4,588	623	-
Provision for the mine closure costs and reclamation	7,577	14,435	90.5%	38,307	6,594	-82.8%
Mining damage	-2,432	970	-	-3,778	-658	-82.6%
Provision for ZUS claims for occupational injury contribution	3,487	331	-90.5%	15,901	2,826	-82.2%
Other	254	2,022	696.1%	1,237	4,612	272.8%
TOTAL	-11,817	27,543	-	73,773	38,810	-47.4%

Place where impact of the change in provisions is recognised in the consolidated financial statements

[PLN '000]	Change of provisions in Q4 2015	Including:				
		Change disclosed in operating activity (EBITDA)	Change disclosed below the result of operating activity - interest	Change disclosed only in the balance sheet - increase in balance-sheet value of property, plant and equipment	Amount disclosed in Other Comprehensive Income	Change disclosed only in the balance-sheet — use of the provision
Employee provisions	10,292	22,593	1,563	-	5,146	-19,010
Provision for real property tax	-507	2,174	-	-	-	-2,681
Provision for the mine closure costs and reclamation	14,435	3,286	850	10,299	-	-
Mining damage	970	4,377	-	-	-	-3,407
Provision for ZUS claims for occupational injury contribution	331	-	331	-	-	-
Other	2,022	1,782	291	-	-	-51
TOTAL	27,543	34,212	3,035	10,299	5,146	-25,149

Place where impact of the change in provisions is recognised in the consolidated financial statements

[PLN '000]	Change of provisions in 2015	Including:				
		Change disclosed in operating activity (EBITDA)	Change disclosed below the result of operating activity - interest	Change disclosed only in the balance sheet - increase in balance-sheet value of property, plant and equipment	Amount disclosed in Other Comprehensive Income	Change disclosed only in the balance-sheet — use of the provision
Employee provisions	24,813	58,691	5,782	-	5,283	-44,943
Provision for real property tax	623	8,549	-	-	-	-7,926
Provision for the mine closure costs and reclamation	6,594	5,738	3,399	-2,543	-	-
Mining damage	-658	4,377	-	-	-	-5,035
Provision for ZUS claims for occupational injury contribution	2,826	1,538	1,288	-	-	-
Other	4,612	3,741	1,153	-	-	-282
TOTAL	38,810	82,634	11,622	-2,543	5,283	-58,186



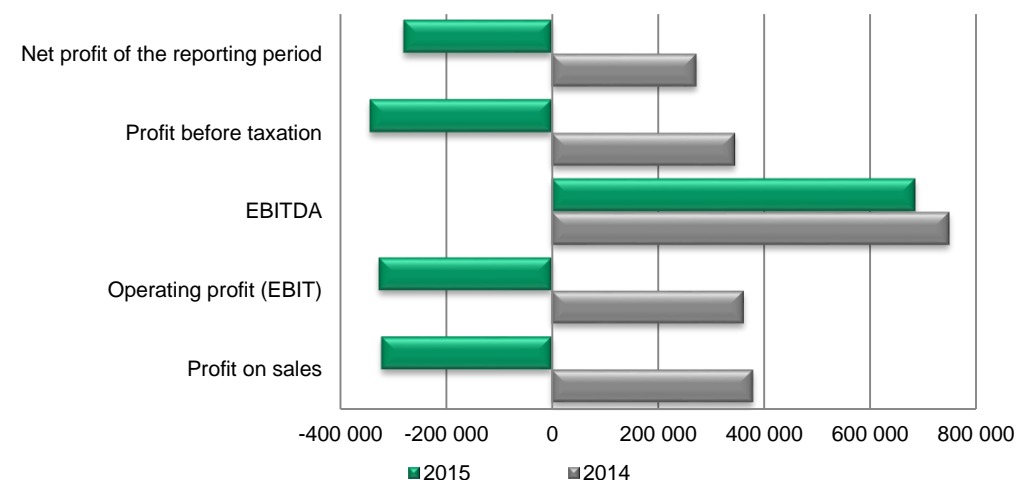
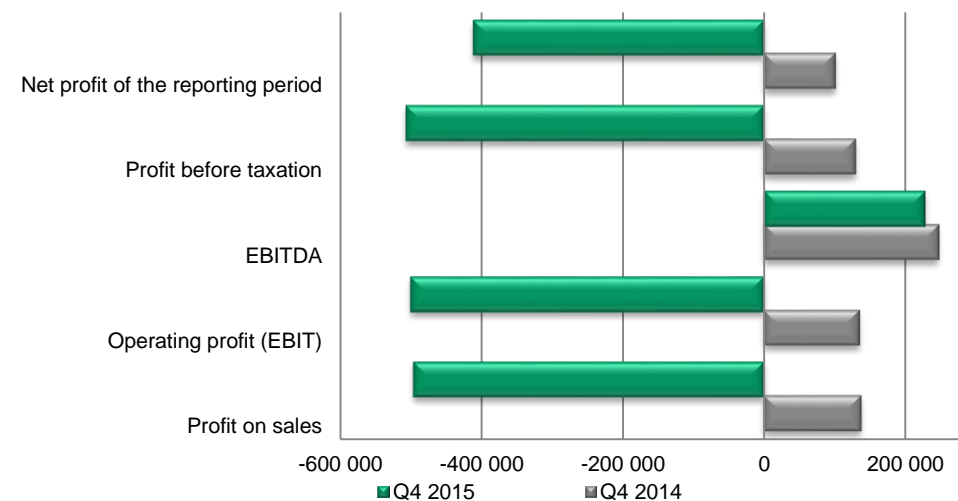
Financial highlights

Selected financial data of the LW Bogdanka Group

Analysis of the consolidated income statement

[PLN '000]	Q4 2014	Q4 2015	Change	2014	2015	Change
Revenue	523,224	558,387	6.7%	2,013,568	1,885,371	-6.4%
Costs of products, goods and materials sold, selling costs, administrative costs	385,241	1,055,035	173.9%	1,633,993	2,207,341	35.1%
Profit/loss on sales	137,983	-496,648	-459.9%	379,575	-321,970	-184.8%
<i>Gross sales margin</i>	<i>26.4%</i>	<i>-88.9%</i>	<i>-115.3 p.p.</i>	<i>18.9%</i>	<i>-17.1%</i>	<i>-36.0 p.p.</i>
Other income	333	401	20.4%	1,435	2,831	97.3%
Other costs	2,204	1,418	-35.7%	3,502	2,017	-42.4%
Net operating profit	136,112	-497,665	-465.6%	377,508	-321,156	-185.1%
Other net profit/loss	-405	-3,101	665.7%	-15,193	-5,065	-66.7%
Operating profit (EBIT)	135,707	-500,766	-469.0%	362,315	-326,221	-190.0%
<i>EBIT margin</i>	<i>25.9%</i>	<i>-89.7%</i>	<i>-115.6 p.p.</i>	<i>18.0%</i>	<i>-17.3%</i>	<i>-35.3 p.p.</i>
EBITDA	247,469	228,177	-7.8%	749,953	686,298	-8.5%
<i>EBITDA margin</i>	<i>47.3%</i>	<i>40.9%</i>	<i>-6.4 p.p.</i>	<i>37.2%</i>	<i>36.4%</i>	<i>-0.8 p.p.</i>
Finance income	142	1,475	938.7%	7,071	6,110	-13.6%
Finance costs	5,838	7,945	36.1%	23,532	22,938	-2.5%
Profit before taxation	130,011	-507,236	-490.1%	345,854	-343,049	-199.2%
<i>Pre-tax profit margin</i>	<i>24.8%</i>	<i>-90.8%</i>	<i>-115.6 p.p.</i>	<i>17.2%</i>	<i>-18.2%</i>	<i>-35.4 p.p.</i>
Income tax	28,453	-95,473	-435.5%	73,502	-63,423	-186.3%
Net profit for the reporting period	101,558	-411,763	-505.4%	272,352	-279,626	-202.7%
<i>Net sales margin</i>	<i>19.4%</i>	<i>-73.7%</i>	<i>-93.1 p.p.</i>	<i>13.5%</i>	<i>-14.8%</i>	<i>-28.3 p.p.</i>

Analysis of the consolidated income statement on individual levels of the Group's operations





Financial highlights

Revenue

The value of revenue for Q4 2015 increased by 6.7% compared to the same period of the previous year and amounted to PLN 558,387,000.

In the period between 1 January 2015 and 31 December 2015 the LW Bogdanka Group generated revenue at a level of PLN 1,885,371,000 compared to PLN 2,013,568,000 in the same period of 2014 (decrease by 6.4%).

Costs of products, goods and materials sold, selling costs, administrative costs

In Q4 2015 the costs of products, goods and material sold plus selling and administrative costs went up by 173.9% compared by the same period of the previous year and amounted to PLN 1,055,035,000 (which was mainly attributable to the impairment loss of PLN 624,772,000 made by the Parent). During four quarters the costs in question increased by 35.1% y/y.

Profit/loss on sales

In Q4 2015 (in relation to the impairment loss at the Parent) the LW Bogdanka Group incurred loss on sales PLN 496,648,000; in Q4 2014 the Group generated profit of PLN 137,983,000. For four quarters of 2015, the Group incurred loss on sales of PLN 321,970,000 compared to the profit for four quarters of 2014 amounting to PLN 379,575,000.

Other income

In Q4 2015 other income amounted to PLN 401,000 compared to PLN 333,000 a year before. The dominant item in the value for four quarters of 2015 (PLN 2,831,000) is the received damages (PLN 2,122,000).

Other costs and other net profits/losses

Other net losses in Q4 2015 amounted to PLN 3,101,000 compared to PLN 405,000 in Q4 2014 - which means an increase by PLN 2,696,000. The amount PLN -3,068,000 covers mainly the provision for the claims of the Social Insurance Institution (ZUS) for occupational injury contribution created at the Parent (PLN 1,538,000).

Data for four quarters 2015 show a decrease in other net losses (y/y) by PLN 10,128,000 – for four quarters 2014 the value of PLN 15,193,000 covered: provision for ZUS claims for occupational injury contribution created at the Parent (PLN 14,860,000), as well as a release of a provision of mining damage.

EBIT

The operating profit in Q4 2015 amounted to PLN -500,766,000 and was lower by 469% compared to Q4 2014, whereas EBIT for Q4 2015 was -89.7%, i.e. it was lower by 115.6 p.p. than in Q4 of the previous year. EBIT for four quarters of 2015 is lower by 35.3 p.p. compared to the analogous period of 2014 and was -17.3%.

EBITDA

EBITDA in Q4 2015 dropped by 7.8% compared to Q4 2014 and amounted to PLN 228,177,000. EBITDA margin in Q4 2015 was 40.9% and was lower than in the same analysed period of 2014.

For four quarters of 2014, the Group's EBITDA margin amounted to 36.4%, i.e. less by 0.8 p.p. compared to the same period in 2014 (when EBITDA dropped in the analysed period by 8.5%). EBITDA for the four quarters of 2015 was PLN 686,298,000 compared to PLN 749,953,000 in the same period of 2014.

Finance income

Finance income in Q4 2015 amounted to PLN 1,475,000. For four quarters of 2015 finance income was PLN 6,110,000, i.e. (-13.6% y/y).

Finance costs

In Q4 2015 finance costs were higher by 36.1% than the costs in the same period of 2014, and amounted to PLN 7,945,000.

The finance cost for twelve months of 2015 amounted to PLN 22,938,000 compared to PLN 23,532,000 in 2014 (decrease by 2.5%). The total debt of the Group amounted to PLN 721,393,000, including that of the Parent of PLN 700,092,000 as at 31 December 2015.

Profit before taxation

In Q4 2015 the LW Bogdanka Group generated pre-tax loss of PLN 507,236,000 compared to the generated profit of PLN 130,011 in Q4 2014.

The profit/loss before taxation for four quarters of 2015 amounted to PLN -343,049,000 against PLN +345,854,000 in the same period of 2014.

Net profit for the reporting period

In Q4 2015 the Group generated pre-tax loss of PLN 411,763,000 compared to the generated profit of PLN 101,558,000 in Q4 2014.

The Group's net loss for four quarters 2015 amounted to PLN 279,626,000 while in the analogous period of the previous financial year the Group generated profit of PLN 272,352,000.



Impact of the non-recurring event (impairment loss of assets) on the Group's results

Impairment losses

The Parent's impairment loss for property, plant and equipment as well as for intangible assets, as discussed earlier, is of a non-cash and non-recurring nature. The table below shows the estimated results which would be achieved by the Group without the impact of the impairment loss on the result.

[PLN '000]	Q4 2014	Q4 2015	Change	2014	2015	Change
Revenue	523,224	558,387	6.7%	2,013,568	1,885,371	-6.4%
costs of products, goods and materials sold as well as selling and administrative costs	385,241	430,263	11.7%	1,633,993	1,582,569	-3.1%
Profit/(loss) on sales	137,983	128,124	-7.1%	379,575	302,802	-20.2%
<i>Gross sales margin</i>	26.4%	22.9%	-3.5 p.p.	18.9%	16.1%	2.8 p.p.
Other income	333	401	20.4%	1,435	2,831	97.3%
Other costs	2,204	1,418	-35.7%	3,502	2,017	-42.4%
Net operating profit/(loss)	136,112	127,107	-6.6%	377,508	303,616	-19.6%
Other net profits/(losses)	-405	-3,101	665.7%	-15,193	-5,065	-66.7%
Operating profit (EBIT)	135,707	124,006	-8.6%	362,315	298,551	-17.6%
<i>EBIT margin</i>	25.9%	22.2%	-3.7 p.p.	18.0%	15.8%	-2.2 p.p.
Net profit of the reporting period	101,558	94,302	-7.1%	272,352	226,439	-16.9%
<i>Net sales margin</i>	19.4%	16.9%	-2.5 p.p.	13.5%	12.0%	-1.5 p.p.

Without the impact of the non-recurring event on the results:

Profit on sales

Profit on sales in Q4 2015 would fall by 7.1% as compared to Q4 2014 and would amount to PLN 128,507,000. This was affected by costs of products, goods and materials sold as well as selling and administrative costs which in Q4 increased by 11.7% compared to the analogous period of the previous year and amounted to PLN 430,263,000.

Profit on sales for four quarters of 2015 would amount to PLN 302,802,000, i.e. less than the result for four quarters of 2014 by 20.2% (despite that costs of products, goods and materials sold as well as selling and administrative costs in the discussed period were lower by ca. 3.1%).

EBIT

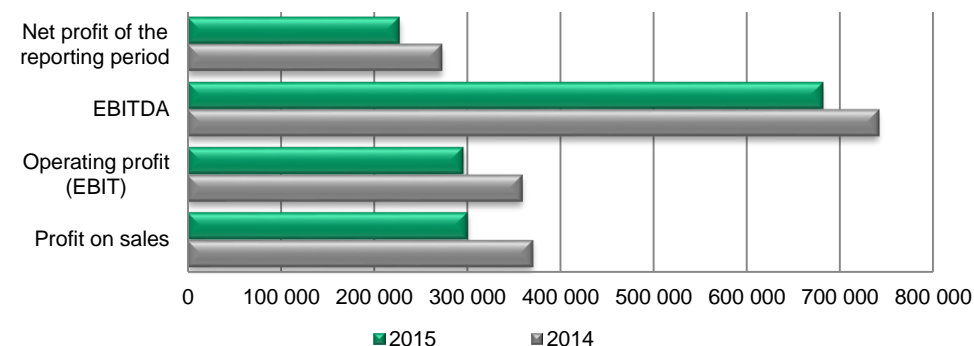
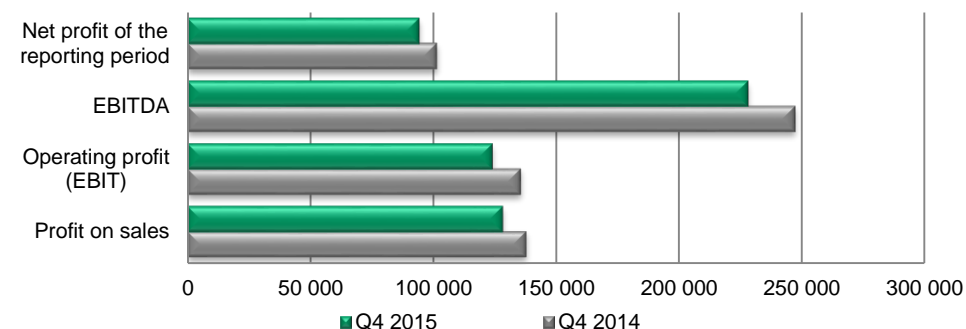
The operating profit in Q4 2015 would amount to PLN 124,006,000 and would be lower by 8.6% compared to Q4 2014, whereas EBIT for Q4 2015 would be 22.2%, i.e. lower by 3.7 p.p. than in Q4 of the previous year. EBIT for four quarters for 2015 would be lower by 2.2 p.p. in relation to the same period of 2014 and would be 15.8%.

Net profit for the reporting period

In Q4 2015 the Group would achieve net profit lower by 7.1% than in Q4 2014 – net profit would be PLN 94,302,000 (2015) against PLN 101,558,000 (2014). One of the reasons for such situation would be an increase in costs of products, goods and materials sold as well as selling and administrative costs by ca. 11.7%.

The net profit of the Group for four quarters of 2015 would be PLN 226,439,000 compared to PLN 272,352,000 (a decrease by 16.9%).

Analysis of the consolidated income statement on individual levels of the Group's operations, net of non-recurring events.





Balance sheet

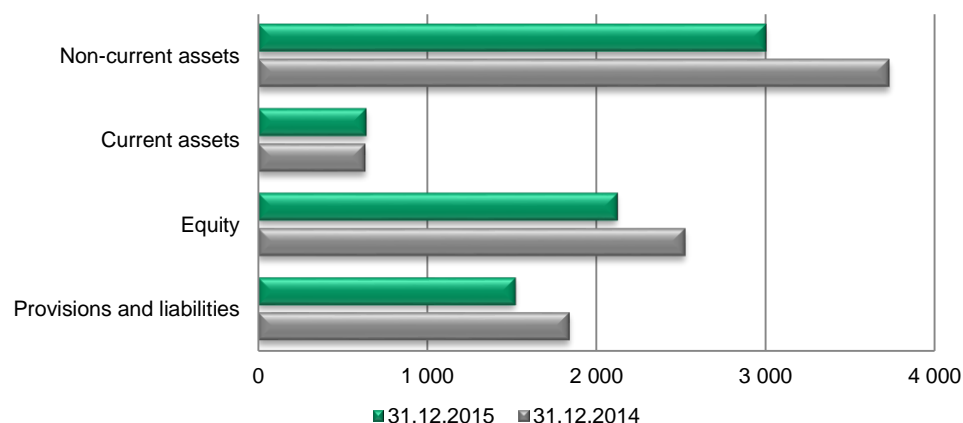
Balance sheet

Selected financial data

[PLN '000]	31 Dec. 2014	31 Dec. 2015	Change
Total assets	4,364,415	3,644,024	-16.5%
ROA	6.6%	-7.0%	-13.6 p.p.
Non-current assets	3,730,165	3,003,073	-19.5%
Current assets	634,250	640,951	1.1%
Equity	2,523,827	2,122,622	-15.9%
ROE	10.9%	-12.0%	-22.9 p.p.
Provisions and liabilities	1,840,588	1,521,402	-17.3%

* the calculations include the average level of assets and equity (as at 31 December 2015 + as at 31 December 2014)/2

Analysis of the interim consolidated statement of financial position



Assets

The balance-sheet total as at 31 December 2015 went down to PLN 3,644,024,000 (i.e. by PLN 720,391,000) compared to the value as at 31 December 2014, with non-current assets going down by PLN 727,092,000 and current assets going up by PLN 6,701,000. Within current assets the value of inventories went down by 22.2%, trade and other receivables fell by 20.1%, while cash and cash equivalents went up by 34%.

As at 31 December 2015, ROA went down by 13.6 p.p. and equalled, at the balance-sheet date, -7.0%. The main reason of negative profitability is an impairment loss, already described, of property, plant and equipment and intangible assets (impact on the result before taxation of PLN -624,772,000).



Equity and liabilities

The equity went down by 15.9%. It was mainly caused by recognising net total income in the amount of PLN -283,668,000 for the twelve months of 2015 and accounting for the result for 2014 (PLN 3.50 per share was appropriated for dividend, the rest increased the supplementary capital).

Provisions and liabilities went down by 17.3% compared to the value as at 31 December 2014, with current liabilities going down by 39.6% (trade liabilities as well as loans and borrowings decreased), and non-current liabilities going down by 4.6% (including deferred tax assets).

As at 31 December 2015, a decrease of 22.9 p.p. in return on equity compared to the end of 2014 was noted. The ratio as at 31 December 2015 was -12.0% compared to 10.9% as at 31 December 2014. The main reason of lower profitability is already noted impairment loss of property, plant and equipment and intangible assets.



Cash flow

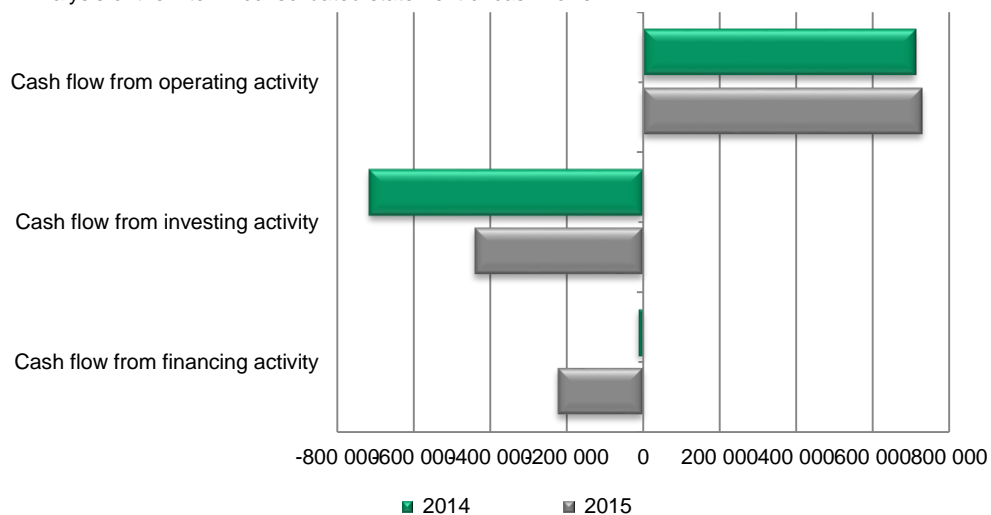
Cash flow

Annual consolidated cash flow

[PLN '000]	Q4 2014	Q4 2015	Change	2014	2015	Change
Cash flow from operating activity	145 917	225 009	54,2%	712 863	729 575	2,3%
Cash flow from investing activity	-288 593	-76 298	-73,6%	-716 887	-440 680	-38,5%
CFFO*	-142 676	148 711	-	-4 024	288 895	-
Cash flow from financing activity	-88 839	-122 450	37,8%	-12 499	-222 339	1678,9%

*total cash flow from operating and investing activity

Analysis of the interim consolidated statement of cash flows



In Q4 2015 the Group generated net cash flow from operating activities higher by 54.2% than in Q4 2014, in the period October-December 2015 it amounted to PLN 225,009,000 compared to PLN 145,917,000 a year before. During four quarters the LW Bogdanka Group generated cash flow from operating activities of PLN 729,575,000 (+2.3% y/y). Cash flow from operating activities decreased its value (in absolute values) in Q4 2015 by 73.6% (to PLN 76,298,000) relative to the analogous period of 2014. Cumulative for 12 months of 2015 cash flow from operating activity was lower by 38.5% from cash flow from the analogous period last year.



Debt and liquidity ratios

Debt and financing structure

Debt ratios

[PLN '000]	31 Dec. 2014	31 Dec. 2015	Change
Overall debt ratio	42.2%	41.8%	-0.4 p.p.
Ratio (debt plus employee liabilities)/EBITDA	1.39	1.42	2.2%
Ratio net debt/EBITDA*	0.82	0.67	-18.3%
Debt to equity ratio	72.9%	71.7%	-1.2 p.p.
Fixed capital to non-current assets ratio	95.7%	103.6%	7.9 p.p.
Current debt ratio	15.3%	11.1%	-4.2 p.p.
Non-current debt ratio	26.8%	30.7%	3.9 p.p.

* Debt = non-current liabilities due to bonds issue + non-current loans and borrowings + short-term loans and borrowings

Overall debt ratio

The overall debt ratio as at 31 December 2015 went down by 0.4 p.p. compared to 31 December 2014 and reached 41.8% - the share of borrowed capital in the overall financing sources of the Group decreased.

The level of the Group's debts as at 31 December 2015 did not pose any risk to the Group's operation and its ability to settle liabilities in a timely manner. The Group's financial needs are subject to medium-term and long-term analyses in order to secure liquidity and a proper cash level.

Ratio debt plus employee liabilities/EBITDA

The ratio describing debt to EBITDA at the end of Q4 2015 increased to 1.42. When comparing data as at 31 December 2015 to 31 December 2014, debt fell by more - in nominal terms (including amounts payable to employees) than EBITDA (cumulatively for the last four quarters).

Ratio net debt/EBITDA

The ratio describing net debt (i.e. the total current and non-current liabilities less cash and equivalents) to EBITDA fell from 0.82 as at 31 December 2014 to 0.67 as at 31 December 2015. The value of debt dropped by ca. PLN 161 million with EBITDA falling by ca. PLN 64 million (EBITDA cumulatively for the last four quarters).

Debt to equity ratio

Debt to equity ratio as at 31 December 2015 decreased in relation to 31 December 2014 by 1.2 p.p. and was 71.7% - liabilities dropped by ca. PLN 319 million along with decrease in equity by ca. PLN 401 million.

Fixed capital to non-current assets ratio

The fixed capital to non-current assets ratio was 103.6% (as at 31 December 2015) compared to 95.7% (as at 31 December 2014) - in the analysed period the value of non-current assets dropped (in nominal terms) by a value higher than that recorded for fixed capitals (equity plus non-current liabilities less provisions).

Liquidity ratios

Liquidity ratios

[days]	31 Dec. 2014	31 Dec. 2015	Change
Current liquidity ratio	1.06	1.98	86.8%
Quick liquidity ratio	0.84	1.66	97.6%

In the period covered by the separate annual financial statements, the liquidity ratios of the Group remained at a safe level, and the Group is not having any difficulties in settling its liabilities.



Turnover ratios

Turnover ratios

Turnover ratios

[PLN '000]		31 Dec. 2014	31 Dec. 2015	Change
1. Inventory turnover	$\frac{\text{average inventories}}{\text{costs of products, goods and materials sold}}$	30	21	-30.0%
2. Debtors collection rate*	$\frac{\text{average receivables}}{\text{revenue}}$	49	52	6.1%
3. Creditors payment rate**	$\frac{\text{average liabilities}}{\text{costs of products, goods and materials sold}}$	89	64	-28.1%
4. Operating cycle	1+2	79	73	-7.6%
5. Cash conversion cycle	4-3	-10	9	-190.0%

* Trade debtors and other receivables

** Trade creditors and other liabilities

Inventory turnover

The inventory turnover ratio as at 31 December 2015 fell to 21 days, compared to the previous year. In year-on-year terms, an average level of inventories slightly decreased with a concurrent increase in costs of products, goods and materials sold (due to impairment loss of property, plant and equipment and intangible assets).

Debtors collection rate

The debtors collection rate (calculated on the basis of the balance-sheet item "Trade and other receivables") was 52 days (as at 31 December 2015), compared to 49 days (as at 31 December 2014). The increase in the ratio is a result of lower revenue.

Creditors payment rate

The creditors payment rate (calculated on the basis of the balance sheet item "Trade and other liabilities") in the period covered by financial information got shorter by 25 days to ca. 64 days, as compared to the end of 2014. In the period under analysis, the LW Bogdanka Group had a similar level of current trade creditors with higher costs of products, goods and materials sold (due to impairment loss).

Operating cycle

The operating cycle for current assets (a sum of inventory turnover and debtors collection rate) in the analysed period was 73 days, compared to 79 days as at 31 December 2014. The time necessary for realising the Group's current assets got shorter by 6 days on the average.

Cash conversion cycle

The consequence of the above trends, the cash conversion cycle as at 31 December 2015 was 9 days (as at 31 December 2014 – 10 days). It should be noted that achieving a positive value of the ratio is a result of shortening the creditors payment rate (due to impairment loss), rather than deterioration of the Group's financial standing. The cash conversion cycle without taking into account the one-off impairment loss of non-current assets and intangible assets (regarding only the costs of products, goods and materials sold) would be - 9 days.

Assessment of factors an untypical events affecting the operating profit

In 2015, considering that there occurred circumstances indicating a possibility of a change in the recoverable value of the Parent's non-current assets, the Management Board decided to carry out a test for impairment. As a result of the test, an impairment loss for assets was made in the amount of PLN 624,772,000. For more information please refer to the Financial Statements of the LW Bogdanka Group, Note 7.3.

Except for the above, in 2015 no untypical factors and events occurred that may have influenced the Group's operations.

Overview of significant off-balance sheet items of the LW Bogdanka Group in subjective, objective and value terms

In 2015 no material off-balance sheet items occurred.

Investments and capital investments of LW Bogdanka Group

In 2015 the Group made no significant capital investments.

The value of cash held by the Group as at the end of 2015 stood at PLN 352,909,000, of which PLN 330,883,000 was held by the Parent. The amount PLN 352,909,000 includes:

- PLN 90,872,000 disclosed in non-current assets,
- PLN 262,037,000 disclosed in current assets.

The amount of PLN 90,872,000 covers assets accumulated by the Parent in the Mine Closure Fund, to be allocated for the coverage of costs of a mine closure (these resources are held in a bank deposit).

The amount of PLN 262,037,000 includes financial resources (available cash) kept in short- and medium-term bank deposits (including overnight deposits) – the amount of deposited cash varies depending on internal income and expenditure forecasts. In accordance with the adopted Strategy, the Parent maintains the amount of available cash at the levels equal to the value of average monthly sales revenue (1/12 of forecast annual sales revenue). Financial resources gathered at the Parent amount to PLN 240,011,000, and in the Subsidiaries – PLN 22,026,000.



4. Shares and shareholding



Share capital structure and shareholding

Share capital structure

The Parent's share capital amounts to PLN 170,067,950 (one hundred and seventy million, sixty-seven thousand, nine hundred and fifty zloty) and is divided into 34,013,590 (thirty-four million, thirteen thousand, five hundred and ninety) shares with a par value of PLN 5 (five zloty) per share.

On 4 January 2012, a total of 3,208,111 employee shares were introduced to the Warsaw Stock Exchange, and 34,754 employee shares were introduced on 4 February 2013. LW Bogdanka S.A.'s public float totals 34,013,455 shares. As at the date of publishing this Report, the remaining 135 shares are registered shares.

The total number of votes resulting from all of the issued shares of the Issuer corresponds to the number of shares and equals 34,013,590 votes.

At present, LW Bogdanka S.A. is a private company. The Company has a strategic majority shareholder. The majority shareholder is the Enea Group which holds a majority block of shares which accounts for 66% of the shares in LW Bogdanka S.A. (the majority shareholder's block of shares totals 22,448,834 shares, which corresponds to a nominal value of PLN 112,244,170). Other shareholders of the Company are mainly financial investors in the form of pension funds.

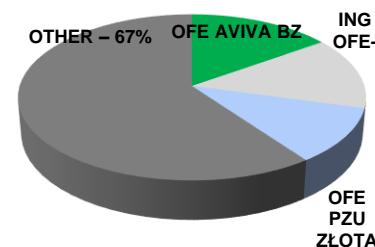
Shareholding structure

The table below shows a shareholding structure of LW Bogdanka S.A. as at 31 December 2015 and as the date of publishing this Report, i.e. 21 March 2016.

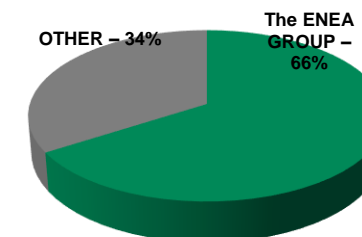
Shareholder	Number of shares/ number of shares at the Shareholders Meeting	Share capital interest/ interest in the total number of votes
The Enea Group	22,448,834	66.0%
Other	11,564,756	34.0%
TOTAL	34,013,590	100.0%

The graphs below present the shareholding structure of LW Bogdanka S.A. as at 31 December 2014, 31 December 2015 and as at the date of publishing this Report, i.e. 21 March 2016.

Shareholding of LW Bogdanka S.A. as at 31 December 2014



Shareholding of LW Bogdanka S.A. as at 31 December 2015 r. and as at 21 March 2016



Treasury shares

In 2015 LW Bogdanka S.A. and Subsidiaries of the LW Bogdanka Group did not acquire any treasury shares of the Parent.

Changes in the shareholding structure by the date of the Report

The Company is not aware of any changes in the structure of major shareholders of the Parent since the date of publishing the extended consolidated report for the third quarter of 2015.

Ownership changes in the LW Bogdanka Group in 2015

Holdings of shares in LW Bogdanka S.A. as well as shares in related entities of the Company by the management and supervision personnel of LW Bogdanka

The table below presents the total number and par value of shares of LW Bogdanka S.A. as well as shares in related entities of LW Bogdanka S.A. held by the management and supervision personnel of LW Bogdanka S.A., as of the date of submitting the Report and as of the date of publishing the previous interim report:

MANAGEMENT BOARD					
Name and surname	Number of the Company shares as at 21 March 2016	Nominal value of the shares (PLN)	Number of Company shares as at 29 October 2015	Nominal value of the shares (PLN)	Number of shares in subsidiary companies
Zbigniew Stopa	1,414	7,070	1,414	7,070	0
Piotr Janicki	0	0	-	-	0
Waldemar Bernaciak	536	2,680	536	2,680	0
Jakub Stęchły	0	0	-	-	0
SUPERVISORY BOARD					
Name and surname	Number of the Company shares as at 21 March 2016	Nominal value of the shares (PLN)	Number of Company shares as at 29 October 2015	Nominal value of the shares (PLN)	Number of shares in subsidiary companies
Szymon Jankowski	0	0	-	-	0
Magdalena Kaczmarek	0	0	-	-	0
Mirosław Kowalik	0	0	-	-	0
Przemysław Krasadomski	0	0	-	-	0
Wiesław Piosik	0	0	-	-	0
Michał Stopyra	0	0	0	0	0
TOTAL	Number of the Company shares as at 21 March 2016	Nominal value of the shares (PLN)	Number of Company shares as at 29 October 2015	Nominal value of the shares (PLN)	Number of shares in subsidiary companies
	1,950	9,750	1,950	9,750	0

*In accordance with the declarations of Management Board and the Supervisory Board Members of the Parent

Shares in related entities of the Company

Management Board and Supervisory Board Members do not hold shares in the Subsidiaries:

- Łęczyńska Energetyka sp. z o.o.
- EkoTRANS Bogdanka sp. z o.o.
- RG Bogdanka sp. z o.o.
- MR Bogdanka sp. z o.o.

Potential changes in the shareholding structure

On 4 July 2013, as part of the introduction of the Management Options Scheme at the Company, the Annual General Shareholders Meeting of LW Bogdanka S.A. adopted Resolution No. 26 on the issue of up to 1,360,540 registered series A subscription warrants.

Apart from the above mentioned scheme, the Parent is not aware of any agreements or events that would result in future changes in the proportion of shares held by the existing Shareholders.

Dividend policy

Dividend policy

The dividend policy forming part of the approved Strategy for the 2013-2015 period provides for the payout to Company shareholders of a dividend standing at 60% of the consolidated net profit.

The adoption of such dividend payout ratio will allow the Company, on the one hand, to finance development investments using part of the net profit, while on the other hand it will guarantee the shareholders a rate of return on the investment in Company shares in the form of an above-average dividend for the coal-mining sector.

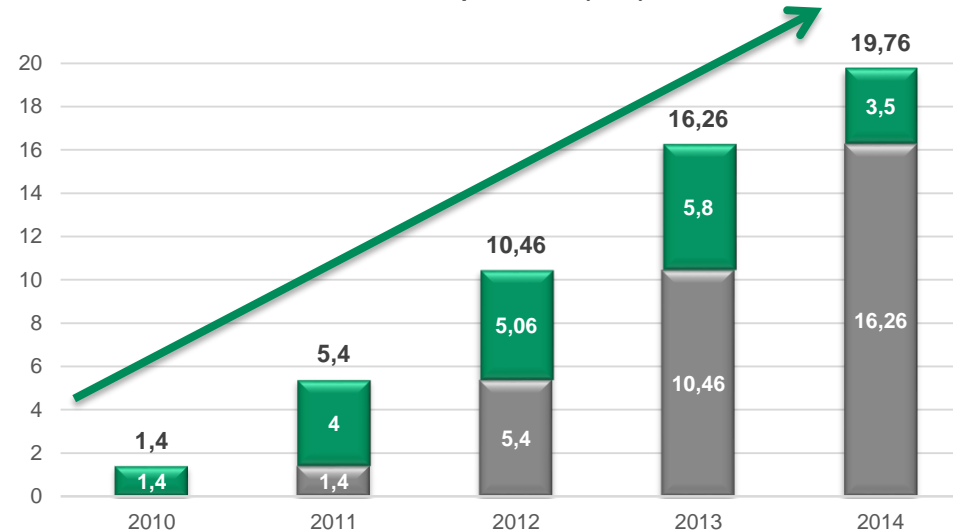
The change in the Management Boards recommendation with regard to the dividend payout ratio can be attributed to the change in the assumptions concerning:

- the Parent's development and further expansion plans;
- execution of the adopted investment programme;
- plans to maintain adequate cash flow;

as well as:

- net profit recorded in the Parent's separate financial statements;
- projected investment expenditure and other capital outlays;
- current possibilities and costs of obtaining debt financing;
- decision taken by the General Shareholders Meeting establishing a dividend payout rate different to that recommended by the Management Board;
- other factors having significant impact on the Group's financial standing.

Accumulated dividend per share (PLN) for 2010 - 2014



Dividend paid out of profit for 2009-2014 (data not restated)

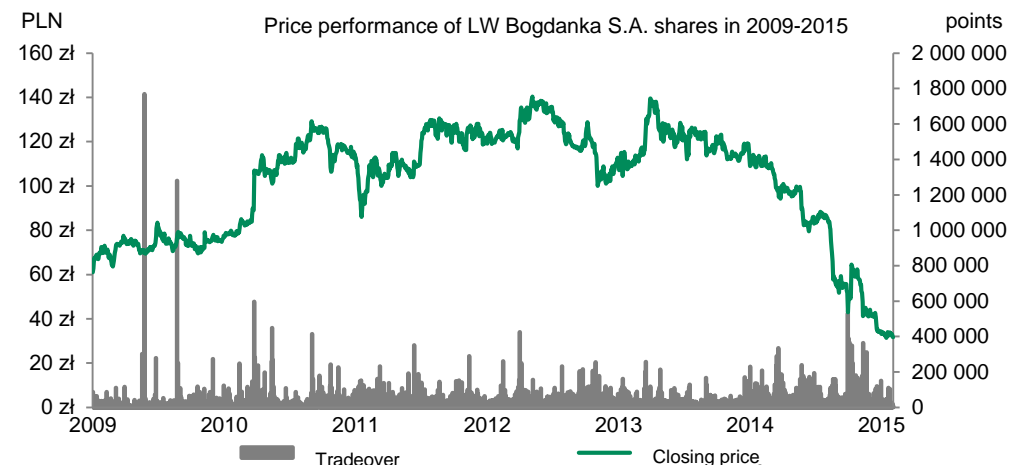
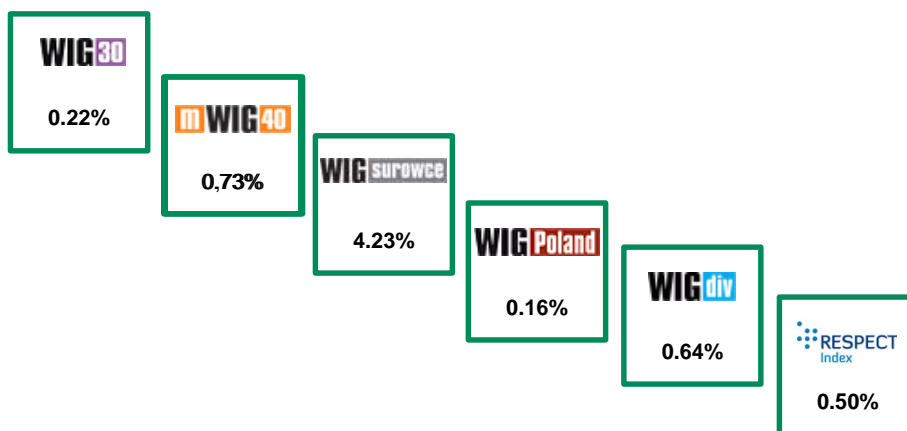
Item	2009	2010	2011	2012	2013	2014
Net profit (separate) [PLN million]	192.1	227.4	219.0	287.0	326.5	272.9
Total dividend [PLN million]	-	47.6	136.1	172.1	197.3	119.0
Dividend per share [PLN]	-	1.40	4.00	5.06	5.80	3.50
Earnings per share [PLN]	5.65	6.69	6.44	8.44	9.60	8.02
Dividend payment rate	-	20.9%	62.1%	60.0%	60.0%	43.6%
Dividend rate	-	1.35%	2.94%	4.02%	6.01%	10.54%

Price performance of the shares of LW Bogdanka S.A. on the Warsaw Stock Exchange

The Parent was first listed on the Warsaw Stock exchange on 25 June 2009. In 2015, LW Bogdanka S.A. made part of the following indices:

- WIG – includes all companies listed on the WSE Main Market that meet the baseline criteria of the participation in indices;
- WIG20 – includes the 20 largest companies listed on the WSE Main Market. On 18 December 2015, the Company was removed from the WIG20 due to insufficient liquidity of its shares in connection with the acquisition of a majority stake by Enea S.A.;
- WIG30 – includes the 30 largest companies listed on the WSE Main Market;
- mWIG40 – includes 40 medium-sized companies listed on the WSE Main Market. The Company has been present in this index since 18 December 2015;
- WIG Surowce – includes companies classified into the “Raw Materials” sector;
- WIG-Poland – includes only the shares of domestic companies listed on the WSE Main Market that meet the baseline criteria of participation in indices;
- WIGdiv – includes 30 companies that are in the top 150 in the index ranking (prepared on the basis of Resolution No. 871/2013 of the WSE Management Board, as amended) and show the highest dividend yield at the end of November each year and have paid dividends at least three times in the last 5 financial years;
- Respect Index – index of socially responsible companies.

Participation of the Parent’s shares in indices as at 21 March 2016



Key share indicators:	2014	2015
Maximum price [PLN]	128.50	100.85
Minimum price [PLN]	95.03	31.40
Last price [PLN]	96.46	33.21
Average price [PLN]	116.20	67.23
Capitalisation at end of period [PLN million]	3 281	1 130
Book value [PLN million]	2,505.47	2,105.89
Price/earnings ratio	12.02	-4.06
Price/book value	1.31	0.54
Rate of return at end of period [%]	-24.60	-65.40
Dividend rate [%]	6.01	10.54
Average turnover per session [PLN million]	5,362.46	5,598.60
Average volume per session	47,482	88 082
Average number of transactions per session	586	921
Average spread [bp]	34,013,590	34,013,590



Investor relations – how we do it

Investor relations are a key component of consistent and integrated corporate communication for the LW Bogdanka Group. This communication, and the associated channels and tools, are adapted to the needs of particular audiences, while staying true to the principle of equal access to information.

The LW Bogdanka Group complies with best market practices

We have been awarded the "10 out of 10 – Investor-Friendly Company" certificate by the Association of Individual Investors.

We have participated in the preparation of professional courses for the Civic Shareholding campaign.

We have been shortlisted for stage 2 of the Golden Website Contest.

For the 8th time we have been listed on the Respect Index (9th edition).

We have been awarded the Economic Award of the President of Poland.



In 2015, we took the following steps as part of the investor relations plan:

- We participated in:
 - WallStreet Conference organised by the Association of Individual Investors,
 - Professional Investor Conference,
 - Investor Relations Congress,
 - EuroPOWER Conference ("Shares in the Power Industry"),
 - "Utilities, Mining & Industrials" Conference - ING Securities,
 - Polish Capital Market London 2015 Conference – PKO BP,
 - Conference for Institutional Investors in Zürs – Raiffeisen Centrobank,
 - Energy and Mining Conference – UniCredit,
 - Other conferences and meetings with individual and institutional investors in Poland and abroad.
- We were at the disposal of investors from early morning to late in the evening – for phone calls, e-mails and face-to-face meetings.
- Every quarter, we met with the participants of the capital market at performance conferences.
- Every quarter, we met investor chats dedicated to individual investors.
- Every quarter, we organised conference calls for foreign investors.
- We ensured that the Investor Relations tab on the corporate website of LW Bogdanka S.A. was providing the most updated information.
- For every important event we published on our website a dedicated investor presentation and key financial and operating data in a user-friendly format.





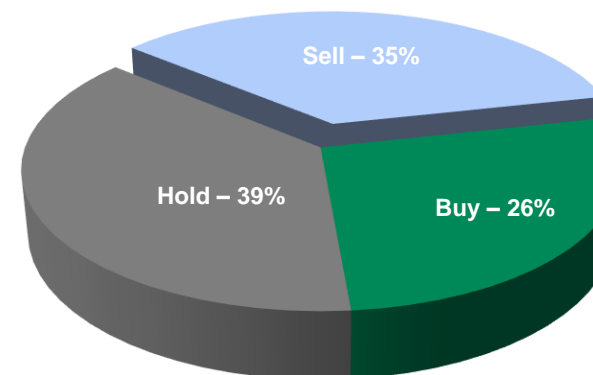
Analysts recommendations

Analysts recommendations issued for LW Bogdanka S.A. in 2015:

Date	Institution	Recommendation	Target price	Price on the recommendation date
19 January	DM BOŚ	Sell	91.10 zł	98.00 zł
26 January	mBank	Buy	121.50 zł	99.00 zł
2 February	DM TRIGON	Buy	133.00 zł	96.80 zł
4 February	BZ WBK	Buy	130.00 zł	96.40 zł
5 February	Societe Generale	Buy	131.00 zł	96.70 zł
12 February	Raiffeisen CENTROBANK	Buy	119.00 zł	97.20 zł
26 February	Deutsche Bank	Sell	88.00 zł	98.24 zł
5 March	Citi Research	Buy	103.00 zł	89.50 zł
5 March	Erste Group Research	Hold	88.70 zł	89.50 zł
5 March	Societe Generale	Buy	104.00 zł	89.50 zł
9 March	DM TRIGON	Sell	80.00 zł	88.94 zł
12 March	Deutsche Bank	Hold	83.00 zł	83.00 zł
19 March	PEKAO Investment Banking	Hold	86.00 zł	82.50 zł
31 March	Deutsche Bank	Hold	83.00 zł	83.60 zł
7 April	Raiffeisen CENTROBANK	Buy	109.00 zł	85.85 zł
15 April	BZ WBK	Hold	86.30 zł	83.78 zł
24 April	J.P. Morgan Cazenove	Hold	98.00 zł	86.55 zł
24 April	DM Trigon	Sell	80.00 zł	83.50 zł
30 April	PEKAO Investment Banking	Hold	86.00 zł	88.40 zł
21 May	Societe Generale	Hold	92.00 zł	85.40 zł
29 May	PKO BP	Hold	90.00 zł	85.40 zł
11 June	Deutsche Bank	Hold	69.00 zł	69.85 zł
12 June	DM Trigon	Sell	58.00 zł	66.00 zł
15 June	Erste Group Research	Sell	44.10 zł	66.00 zł
15 June	WOOD Research	Buy	75.00 zł	62.00 zł
16 June	DM BOŚ	Sell	52.00 zł	59.40 zł
17 June	Societe Generale	Hold	64.00 zł	57.70 zł
6 July	PEKAO Investment Banking	Hold	61.00 zł	57.20 zł
7 July	Deutsche Bank	Hold	65.00 zł	54.00 zł
8 July	BESI Research	Sell	40.20 zł	55.97 zł
23 July	DM TRIGON	Sell	52.00 zł	55.35 zł
23 July	J.P. Morgan Cazenove	Hold	59.00 zł	53.61 zł

In 2015 26% of analysts recommended "BUY", and 39% - "HOLD" shares of LW Bogdanka S.A.

Recommendations issued to LW Bogdanka S.A. from 1 January 2015 to 31 December 2015



Date	Institution	Recommendation	Target price	Price on the recommendation date
24 August	BZ WBK	Sell	27.90 zł	53.13 zł
25 August	Societe Generale	Sell	35.00 zł	37.40 zł
25 August	BESI Research	Sell	23.87 zł	37.37 zł
26 August	IPOPEMA Securities	Buy	49.90 zł	35.20 zł
28 August	DM BDM S.A.	Buy	45.86 zł	37.80 zł
4 September	PKO BP	Hold	46.90 zł	49.75 zł
16 September	Raiffeisen CENTROBANK	Hold	66.40 zł	66.04 zł
25 September	Haitong Research	Sell	31.94 zł	62.30 zł
29 September	Deutsche Bank	Hold	60.00 zł	61.94 zł
28 September	DM BOŚ	Sell	48.50 zł	59.94 zł
27 October	Societe Generale	Sell	47.40 zł	55.40 zł
30 October	Haitong Research	Sell	29.56 zł	47.70 zł
5 November	Citi Research	Buy	55.00 zł	42.20 zł
31 December	ING	Hold	34.00 zł	34.20 zł



5. Governing bodies



Management Board of the Parent

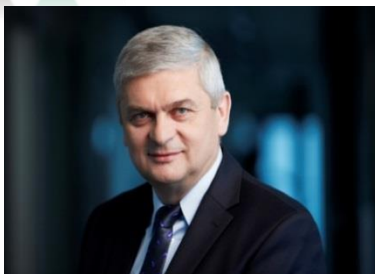
Zbigniew Stopa

President of the Management Board

Zbigniew Stopa graduated in 1984 from the Faculty of Mining at AGH University of Science and Technology with an M.Sc. Eng. degree, specialising in Deposits Exploitation Technology. In 1997 he completed postgraduate studies at the Central Mining Institute in Katowice in the field of Occupational Health and Safety Management. He attended a wide range of training sessions and specialist courses (the fundamentals of economics, human resource management, finance for managers) as well as completed a course for supervisory board members of State Treasury companies.

Zbigniew Stopa's career has always been connected with Lubelski Węgiel BOGDANKA S.A. and its legal predecessors. In 1984-1985 he underwent a training program underground, while from 1985 to 1987 he worked as an underground overman. In 1987 he was appointed to the position of an underground shift foreman, and towards the end of that year, to the position of an underground section foreman. In 1991-2006 he worked as an underground chief foreman. From May to December 2006 he served as the Manager of Mining Works of Nadrybie mining field. On 15 December 2006 he was appointed Vice-President of the Management Board - Production Director. On 27 September 2012, Mr Zbigniew Stopa was entrusted, by the Supervisory Board, with the task of acting President of the Management Board, and since 23 November 2011 Mr Zbigniew Stopa has been holding the position of the President of the Management Board of Lubelski Węgiel BOGDANKA S.A.

Zbigniew Stopa holds the following qualifications approved by the State Mining Authority: head of the mining works department (1997), higher-rank mining supervisor (1991). In 2007 he was appointed a member of the Mining Occupational Health and Safety Committee affiliated with the State Mining Authority in Katowice by the President of the State Mining Authority.



Piotr Janicki

Vice-President of the Management Board, Economic and Financial Affairs

Since 2013, he has been responsible for financial affairs at Enea Wytwarzanie. Present in the power industry for fourteen years. For six years, he was a Member of the Management Board and Chief Financial Officer at the Białystok Heat & Power Plant. During that time, he gained experience in managing a company that operates in the power production industry, with particular focus on managing the company's financial affairs. He participated in a process of deep restructuring of the Białystok Heat & Power Plant, which led to a material improvement in the Company's economic efficiency ratios. On 23 November 2015, he was appointed by the Supervisory Board of LW Bogdanka to the position of the Vice-President of the Management Board, Economic and Financial Affairs.

He obtained an MA Diploma from the Faculty of Economics at the University of Białystok, as well as a Postgraduate Diploma in International Accounting Standards / International Financial Reporting Standards from the Kozminski University in Warsaw. In November 2015 appointed to the position of Vice-President of the Management Board, Economic and Financial Affairs.



Waldemar Bernaciak

Vice-President of the Management Board, Trade and Logistics

Waldemar Bernaciak graduated in 1979 from the Faculty of Mining at AGH University of Science and Technology with an M.Sc. Eng. degree in mining and geology, specialising in Mine Design and Construction. In 1999 he completed postgraduate studies in the field of management and logistics and received a diploma of the University of Illinois at Urbana – Champaign. In 2001 he graduated from the School of Controlling in Katowice. Furthermore, he attended a number of specialist training courses (including a course on planning and production management in a coal mine at the Silesian University of Technology, logistics, materials management and stock optimisation). He also completed a course for supervisory board members of State Treasury companies.

From the outset his career has been in the mining industry. From 1979 to 1997 he was employed by Kombinat Budownictwa Gómiczego WSCHÓD and its legal successors, where he held various positions, starting with a trainee miner, through an overman, shift foreman, section foreman, senior mining, engineering and construction specialist to the chief foreman (deputy mining works manager). For a decade, from 1997, he served as the Head of Materials and Machine Management Department at Lubelski Węgiel BOGDANKA S.A., while from February to August 2007 as the Head of Logistics. In August 2007 he was appointed Vice-President of the Management Board - Director for Mine Expansion, Trade and Logistics. Next, for several months he served as the acting President of the Management Board – Managing Director. On 16 February 2008 he returned to the position of Vice-President of the Management Board - Director for Mine Expansion, Trade and Logistics. In October 2008 he was appointed Vice-President of the Management Board, Trade and Logistics and has held that position ever since.



Jakub Stęchły

Vice-President of the Management Board, Procurement and Investments

He graduated from the Silesian University of Technology in Gliwice in the following areas: Automation and Robotics, Electronics and Telecommunications, Computer Science, as well as from the Polytechnic University of Milan in Management, Economics and Industrial Engineering. Mr Jakub Stęchły also obtained a Postgraduate Diploma in Business Value Development and Business Valuation from the University of Dąbrowa Górnicza.

Since March 2015, he has been the President of the Management Board of ENEA Serwis sp. z o.o. Present in the power industry since 2011 when he took up work at TAURON Polska Energia S.A. Then, in March 2014, he became the Strategic Controlling Office Manager at ENEA S.A. in Poznań, where he was, among other things, responsible for formulating investment plans at the Group level. In his professional career, he controlled and participated in numerous key undertakings relevant to both the Company managed and the entire Group. In November 2015 appointed to the position of Vice-President of the Management Board, Procurement and Investments.





Changes in the Management Board of the Parent

Date	Event
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The Supervisory Board of LW Bogdanka S.A. removed from the Management Board of LW Bogdanka S.A.:

- Zbigniew Stopa – President of the Management Board
- Waldemar Bernaciak - Vice-President of the Management Board, Trade and Logistics
- Yves Marie Gerard Roger de Bazelaire de Boucheporn - Vice-President of the Management Board, Economic and Financial Affairs
- Krzysztof Szlaga - Vice-President of the Management Board, Procurement and Investments.

23 November 2015

The Supervisory Board of LW Bogdanka S.A. appointed to the Management Board of LW Bogdanka S.A. for the 9th term of office:

- Zbigniew Stopa - President of the Management Board
- Waldemar Bernaciak - Vice-President of the Management Board, Trade and Logistics
- Piotr Janicki - Vice-President of the Management Board, Economic and Financial Affairs
- Jakub Stęchły - Vice-President of the Management Board, Procurement and Investments.





Supervisory Board of the Parent as at 21 March 2016

Szymon Jankowski

Secretary of the Supervisory Board

Appointed on: 23 February 2016

Szymon Jankowski graduated from the Academy of Economics in Poznań (currently Poznań University of Economics), where he completed studies in management and marketing at the Faculty of Management. He is also a graduate of post-graduate studies at the Poznań University of Economics in commercial law, as well as post-graduate studies at the WSB University in Poznań in renewable energy sources. He further developed his qualifications through training courses in corporate governance and corporate financial analysis. He also successfully completed a course for candidates for members of Supervisory Boards in State Treasury companies, and obtained the relevant diploma.

Szymon Jankowski has been present in the professional power sector for more than 21 years. He started his career in 1994 in Rejon Dystrybucji Leszno (Leszno Distribution Region) owned by Energetyka Poznańska S.A., and worked there until 1999 as the head of finance and accounting team. Since 1999 until now, he has worked in various corporate governance positions within the ENEA Group, recently as the Corporate Governance Coordinator.

He has experience in supervising companies in the energy, service and IT sectors. He has seated in Supervisory Boards in such companies as ENEA Operator Sp. z o.o., ENEA Centrum Sp. z o.o., BHU S.A., Energetyka Poznańska Zakład Transportu Sp. z o.o., and ITSERWIS Sp. z o.o.

Przemysław Krasadomski

Member of the Supervisory Board

Appointed on: 23 February 2016

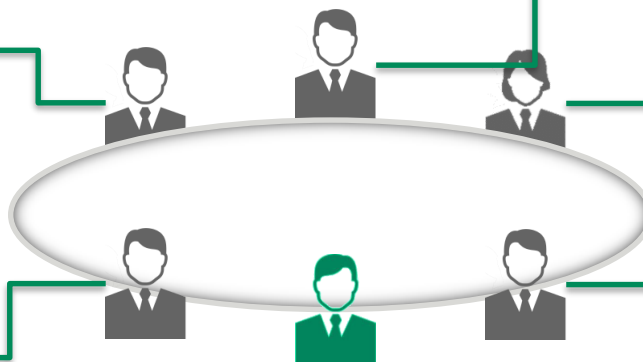
Przemysław Krasadomski graduated from the Adam Mickiewicz University in Poznań, where he completed studies in law at the Faculty of Law and Administration. He also completed training for legal advisors at the District Chamber of Legal Advisors in Poznań, and was entered in the register of legal advisors kept by the Council of the District Chamber of Legal Advisors in Poznań. In 2002, he successfully completed a course for candidates for members of Supervisory Boards in State Treasury companies, and obtained the relevant diploma.

He has worked for ENEA since 2008; starting as a legal advisor in the Corporate Department. At present, he is employed in the position of legal advisor at ENEA S.A. and Manager of Ongoing Legal Services Office of ENEA Centrum. Since 19 February 2016, he has worked as acting Director of Legal Department at ENEA Centrum. Earlier, he worked for gas companies in a legal advisory capacity.

He is experienced in supervising companies. He has seated in the Supervisory Boards of such companies as PFK S.A. in liquidation, EP BUT S.A. and ENEA Centrum Sp. z o.o.

17% - independent members in the Supervisory Board of LWB

17% - women in the Supervisory Board of LWB



Mirosław Kowalik

Chairman of the Supervisory Board

Appointed on: 23 February 2016

Mirosław Kowalik has been present in the energy sector for more than 20 years. He has held management positions on operational and strategic levels. In 2015, he managed SNC Lavalin Sp. z o.o. Polska as a Vice President of the Management Board and Director for Business Development. Between 1999 and 2015, he held various managerial positions within the ALSTOM Power Group, including his most recent role as the Sales and Marketing Director. Between 1995 and 1998, he worked for ABB. On 7 January appointed to the position of the President of the Management Board of Enea S.A.

Mirosław Kowalik is a graduate of the Faculty of Electrical Engineering at the Gdynia Maritime University. He completed MBA studies in management (programme of the Rotterdam School of Management in cooperation with the University of Gdańsk and the Gdańsk Foundation for Management Development), and was given the title of Executive Master of Business Administration. He has also completed post-graduate studies in corporate finance management at the Warsaw School of Economics. He is currently pursuing the Executive Doctor of Business Administration programme at the Institute of Economics of the Polish Academy of Sciences.

Wiesław Piosik

Deputy Chairman of the Supervisory Board

Appointed on: 23 February 2016

Wiesław Piosik has been present in the professional power sector for more than 30 years. Recently he has managed private enterprises operating in Energy distribution, grid design and grid performing as well as renewable energy sectors. In 1998-2005 he was a member, and subsequently the President of the Management Board of Energetyka Poznańska S.A. (currently: Enea S.A.), and in 2007-2009 he was the President of the Management Board of Polenergia Dystrybucja sp. z o.o. Wiesław Piosik has extensive experience in supervising companies in the fuel and energy sector, as well as in the banking and IT sectors. He seated in the Supervisory Boards of such companies as Kompania Węglowa S.A., CIECH S.A., Exatel S.A. and LG Petro Bank. On 7 January appointed to the position of the Vice-President of the Management Board of Enea S.A., Corporate Affairs.

Wiesław Piosik is a graduate of the Poznań University of Technology where he completed studies at the Faculty of Electrical Engineering with major in electrotechnology and specialism in electrical power engineering. He has also completed post-graduate studies at the Poznań University of Technology with major in electrical power engineering systems and networks in the process of transition to a market-based economy, as well as post graduate studies in marketing at the Academy of Economics in Poznań (currently Poznań University of Economics). He further developed his qualifications by attending a number of training courses in management.

Magdalena Kaczmarek

Member of the Supervisory Board

Appointed on: 16 November 2015

Magdalena Kaczmarek – Director of Controlling Department at Enea S.A. She has extensive experience on management positions in controlling and accounting departments in power and services sectors. She graduated from the Faculty of Law at the Adam Mickiewicz University in Poznań.

Michał Stopyra

Member of the Supervisory Board

Appointed on: 18 June 2015

Michał Stopyra graduated from the AGH University of Science and Technology, where he completed studies at the Mining Faculty with specialism in Underground Mining and obtained the degree of Doctor of Engineering. He started his professional career in mines in Poland and Norway, which was then followed by scientific work at the Mining Faculty of the AGH University of Science and Technology. Michał Stopyra since 1993 has been involved in consulting activity focused on industrial cooperation. His career included such positions as an expert at the Provincial Mining Authority, consultant to mining equipment manufacturers as well as mining works manager in domestic and international projects (Germany, Czech Republic, Spain, Columbia, Russia).

In 2000-2012 Michał Stopyra was a member of the Supervisory Board in TEGONA S.A. in Katowice. From 2013, he has been acting as a member of the Supervisory Board of Bogdanka S.A.



Supervisory Board of LW Bogdanka S.A.

Date	Event	
<p>18 June 2015</p>	<p>Considering the end of the 8th term of office, the Annual General Shareholders Meeting of LW Bogdanka S.A. appointed to the new Supervisory Board the following persons, each for an individual term of office of three years:</p> <ul style="list-style-type: none"> • Witold Daniłowicz • Eryk Karski • Stefan Kawalec • Raimondo Eggink • Robert Bednarski • Dariusz Formela • Tomasz Mosiek • Michał Stopyra. 	
<p>16 November 2015</p>	<p>The Extraordinary General Shareholders Meeting removed the following persons:</p> <ul style="list-style-type: none"> • Witold Daniłowicz • Eryk Karski • Stefan Kawalec • Raimondo Eggink • Robert Bednarski • Dariusz Formela • Tomasz Mosiek. 	<p>The Extraordinary General Shareholders Meeting appointed the following persons:</p> <ul style="list-style-type: none"> • Dalida Gepfert • Paweł Orłof • Magdalena Kaczmarek • Bartosz Krysta • Krzysztof Matan
<p>8 December 2015</p>	<p>Paweł Orłof resigned from his function at the Supervisory Board of LW Bogdanka.</p>	
<p>14 January 2016</p>	<p>Dalida Gepfert resigned from her function at the Supervisory Board of LW Bogdanka.</p>	
<p>23 February 2016</p>	<p>The Extraordinary General Shareholders Meeting removed the following persons:</p> <ul style="list-style-type: none"> • Bartosz Krysta • Krzysztof Matan. 	<p>The Extraordinary General Shareholders Meeting appointed to the Supervisory Board the following four persons, each for an individual term of office of three years:</p> <ul style="list-style-type: none"> • Szymon Jankowski • Mirosław Kowalik • Przemysław Krasadomski • Wiesław Piosik





Rules of appointment and remuneration; salary levels

Rules of appointment and description of powers of the governing bodies of the Parent

Detailed information can be found in Chapter 6. Corporate Governance on pages 78-82.

Rules of remuneration of the Management Board Members of the Parent

The rules of remuneration of the current Members of the Management Board of the LW Bogdanka Group were introduced under the Resolutions of the Supervisory Board of LW Bogdanka S.A. of 23 November 2015. All Members of the Management Board entered with the Company into Service Agreements – Management Contracts, referred to in Article 3.2 of the Act of 3 March 2000 on the remuneration of persons managing certain legal entities (Dz.U. [Journal of Laws] No. 26, item 306, as amended). The Service Agreements, and the Non-Compete Agreements attached thereto, signed by the Company stipulate that:

- during the term of the Service Agreement, Members of the Management Board are entitled to a fixed monthly salary and performance-based annual bonus in the amount of 50% of total annual remuneration, calculated in accordance with the specific rules laid down in the Service Agreement;
- in return for compliance with the non-compete obligations during the non-compete period, Members of the Management Board are entitled to compensation in the total amount equal to their fixed monthly salary multiplied by the number of months in the non-compete period;
- In the event of expiry of the Service Agreement as a result of expiry of the mandate of Member of the Management Board, the Company is entitled to demand, for one month from expiry of the Agreement, that Members of the Management Board provide services in connection with the handover of the affairs associated with running of the Company to a person appointed by the Chairman of the Supervisory Board. Members of the Management Board are entitled to remuneration for this, in the amount of the fixed salary.
- Members of the Management Board are entitled to severance pay in the amount equal to three times the monthly fixed salary, except where:
 - the Service Agreement is terminated by the Company or it expires as a result of dismissal from the position of Member of the Management Board for a culpable material breach of the provisions of

the Articles of Association or the Service Agreement, resulting in harm to the Company;

- the Service Agreement is terminated by the Company or it expires as a result of losing the right to hold the position of Member of the Management Board in the cases specified in Article 18 of the Commercial Companies Code;
- the Service Agreement is terminated by the Member of the Management Board or it expires as a result of resignation from the position, unless the termination of the Agreement or the resignation took place by fault of the Company;
- the Agreement expires as a result of expiry of the mandate of Member of the Management Board at the end of the term of office for which the Member had been appointed, if the Member does not wish to be appointed to the Management Board for another term of office;
- the Agreement is terminated by the Member of the Management Board or it expires as a result of dismissal from the position or expiry of the mandate for other reasons, and the Member is then appointed to the management board of the Company or other Enea Group company.

In the event of violation of the non-compete obligation by Member of the Management Board, they shall lose the right to receive any further instalments of the compensation and shall pay liquidated damages to the Company. The Company has the right to terminate the Non-Compete Agreement if the prerequisites for the prohibition of competition cease to exist.

All executive personnel have taken out, at their own expense, third-party liability insurance in case of non-performance or improper performance of the Management Contract.

Members of the Management Board may be awarded, depending on the assumed KPI levels, an annual bonus.

Remuneration of Members of the Supervisory Board was defined by Resolution No. 3 of Extraordinary Shareholders Meeting of LW Bogdanka S.A. of 16 November 2015 as once the amount of average monthly salary in the corporate sector, excluding payments from profit, in the fourth quarter of 2009. In addition, certain representatives of the Enea Group in the Supervisory Board are entitled to a fixed flat-rate monthly salary in the amount of PLN 1 for each month of holding a seat on the Supervisory Board, irrespective of the particular function.

Salary levels

Management Board of LW Bogdanka S.A.

In 2015, The total gross remuneration paid to the Members of the Management Board by the Company amounted to PLN 4.589.101,69. For fulfilling their duties, Members of the Management Board received remuneration under an Employment Contract and the Service Agreement:

Full name	Remuneration
Zbigniew Stopa	PLN 1.377.460,28
Yves Marie Gerard Roger de Bazelaire de Boucheporn	PLN 1.064.387,39
Krzysztof Szlaga	PLN 988.373,68
Waldemar Bernaciak	PLN 1.058.880,34
Piotr Janicki	PLN 50.000,00
Jakub Stęchły	PLN 50.000,00

In 2015, Members of the Management Board of LW Bogdanka S.A. did not receive remuneration for holding functions in the Subsidiaries of LW Bogdanka S.A.

In 2015, the total gross remuneration paid by the Company to its four proxies amounted to PLN 1.604.621,37. For fulfilling their duties for the Company, proxies received remuneration under an Employment Contract only.

Supervisory Board of LW Bogdanka S.A.

Members of the Supervisory Board are entitled to a monthly salary in the amount specified by the General Shareholders Meeting. The Company covers the costs incurred in connection with the performance of duties bestowed upon Members of the Supervisory Board, in particular the cost of travel to a meeting of the Board, the cost of personal development, and the cost of meals and accommodation.



Rules of appointment and remuneration; salary levels

The remuneration of Supervisory Board members delegated to temporarily perform the duties of a Management Board member shall be defined by the Supervisory Board by way of a resolution. If a Supervisory Board member delegated to temporarily perform the duties of a Management Board member receives the aforementioned remuneration, such Supervisory Board member shall not be entitled to remuneration for that period in respect of his/her Supervisory Board membership.

The Extraordinary General Shareholders Meeting, by virtue of Resolution No. 3 of 16 November, defined a change in rules and the amount of remuneration for the members of the Company's Supervisory Board to equal an average remuneration in the industrial sector in Q4 2009, and in relation to internal regulations of the Enea Group it was decided that a fixed flat-rate monthly salary will amount to PLN 1 for each month. According to statements made by five members of the Supervisory Board, they have waived their remunerations in full amounts for holding positions in the Supervisory Board.

Total gross remuneration paid in 2015 to the Supervisory Board Members for the performance of their duties at the Company amounted to PLN 811,610.08, including:

Name	Remuneration
Witold Daniłowicz	PLN 135,626.67
Eryk Karski	PLN 116,056.67
Stefan Kawalec	PLN 115,026.67
Robert Bednarski	PLN 96,486.67
Raimondo Eggink	PLN 90,966.67
Tomasz Mosiek	PLN 96,486.67
Dariusz Formela	PLN 77,946.67
Michał Stopyra	PLN 83,013.39

In 2015 other members of the Management Board and Supervisory Board of the Parent did not receive any remuneration for the performance of duties at the Parent's subsidiaries.

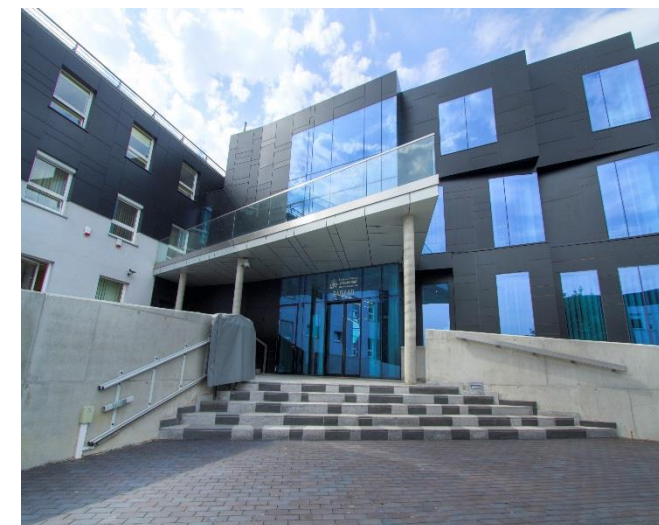
Resolution No. 26 of the Annual General Shareholders Meeting of 4 July 2013 introduced the Management Options Scheme for 2013-2017.

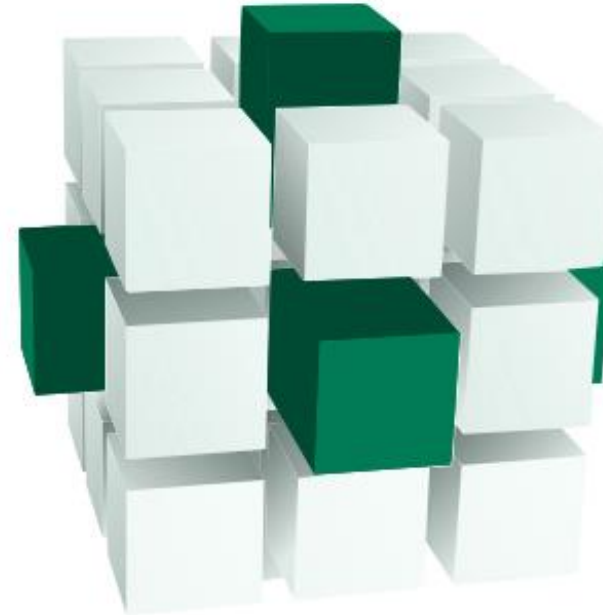
By virtue of the Resolution of 30 September 2013 and as part of the Management Options Scheme, the Supervisory Board allocated a total of 1,102,032 Options for 2013-2017. Members of the Management Board were allocated the Options as follows: Zbigniew Stopa, President of the Management Board, received 183,672 Options, each of the remaining Members of the Management Board, i.e. Waldemar Bernaciak, Roger de Bazelaire and Krzysztof Szlaga received 122,448 Options. The remaining 551,016 Options were allocated to senior management members of key importance for the Company's development. This was announced by the Parent in Current Report No. 35/2013 of 30 September 2013. Options carry the right for eligible persons to acquire series A warrants free of charge. The warrants, in turn, carry the right to acquire series D shares. As at 31 December 2015, a total of 1,143,863 options were allocated within the Management Options Scheme. Additional 41.831 options were, in line with the Terms and Conditions of the Scheme, allocated from the reserve pool to the senior management members (employed in 2014) of key importance for the Company's development. The total cost of the Management Option Scheme disclosed in the Company's costs as at 31 December 2015 amounts to PLN 9,752,000, of which PLN 1,511,000 was disclosed in the consolidated income statement for 2015.

Having assessed the financial statements for 2015, the Parent's Supervisory Board will state whether the criteria for exercising the Options by persons covered by the Management Options Scheme for 2015 have been fulfilled.

The information on allocating the right to exercise Management Options for 2015 will be announced in periodic report for the first half of 2016.

Details of the Management Options Scheme are contained in the Terms and Conditions of the Management Options Scheme of the Parent with registered office in Bogdanka for 2013-2017, attached as an appendix to Current Report No. 35/2013 of 30 September 2013.





6. Corporate governance



Corporate governance rules and rules departed from

In 2015, LW BOGDANKA S.A. complied with the rules of the "Code of Best Practice for WSE Listed Companies" (hereinafter the "Code of Best Practice for WSE Listed Companies") binding at the Warsaw Stock Exchange. Corporate governance rules were adopted by resolution of the Board of the Stock Exchange No. 19/1307/2012 of 21 November 2012, effective from 1 January 2013. Since 2016, the Company has been applying the new Code of Best Practice for WSE Listed Companies attached as an appendix to Resolution No. 26/1413/2015 of the Board of the Stock Exchange in Warsaw of 13 October 2015. The Code of Best Practice for WSE Listed Companies is also available on the website devoted to issues of corporate governance at the Warsaw Stock Exchange - www.corp-gov.gpw.pl.

Corporate governance rules departed from

It is the intention of the Management Board of LW Bogdanka S.A. to observe all corporate governance rules. However, due to the fact that some of the rules may cause excessive financial strain on the Company that would dominate the potential benefits arising from market needs, in 2015 the Company departed from the application of some of the corporate governance rules and recommendations as specified below.

Participation of women and men in the bodies of LW Bogdanka S.A.

Part. I. Recommendations for Best Practice for Listed Companies – Section 9

"The WSE recommends to public companies and their shareholders that they ensure a balanced proportion of women and men in management and supervisory functions in companies, thus reinforcing the creativity and innovation of the companies' economic business."

Comment:

The Management Board and the Supervisory Board are composed of both women and men. However, balanced participation of women and men in the governing and supervising bodies of LW Bogdanka S.A. is currently not entirely ensured. The Issuer wishes to note that the appointment of executive and supervisory personnel takes place in accordance with universally applicable regulations and is based on the application documents received from candidates.

The primary criteria applied by the Group in hiring executive and supervisory personnel is a thorough analysis of the candidates' experience, their competencies, skills and technical knowledge. In the Company's opinion, these criteria of assessment of candidates for executive and supervisory positions enable it to select the right persons who bring creativity and innovation and ensure development of the LW Bogdanka Group's business.

Decisions on the composition of the Company's Supervisory Board are made by the General Shareholders Meeting, therefore the Company may temporarily not be meeting the requirements of this recommendation. As a result, we are unable to establish whether this departure from Best Practices will be permanent.

Organisation of e-General Shareholders Meeting of the Company

Part IV. Best Practices of Shareholders – Section 10

"A company should enable its shareholders to participate in a General Shareholders Meeting using electronic communication means through real-time broadcast of General Shareholders Meetings; real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Shareholders Meeting."

Comment:

The Company has departed from the above rule due to the technical and legal risks which the Company believes exist. In the Company's opinion, introducing the possibility of participating the General Shareholders Meeting via electronic communication means may be associated with the risk of incorrect identification of persons entitled to participate in the General Shareholders Meeting and interfere with smooth progress of the meeting, and, therefore, potential challenging of the validity of any resolutions adopted.

At the moment, the Company's Articles of Association does not provide for participation in the General Shareholders Meeting via electronic communication means in accordance with the provisions of the Commercial Companies Code. The Company does not exclude the possibility of giving the shareholders the possibility of real-time bilateral communication during General Shareholders Meeting sessions in the future.



Independence of Members of the Supervisory Board

Part. III. Best Practice for Supervisory Board Members – Section 6

"At least two members of the Supervisory Board should meet the criteria of being independent from the company and entities with significant connections with the company. The independence criteria should be applied under Annex II to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. Irrespective of the provisions of point (b) of the said Annex, a person who is an employee of the company or an associated company cannot be deemed to meet the independence criteria described in the Annex. In addition, a relationship with a shareholder precluding the independence of a member of the Supervisory Board as understood in this rule is an actual and significant relationship with any shareholder who has the right to exercise at least 5% of all votes at the General Shareholders Meeting."

Comment:

As a result of changes in the composition of the Supervisory Board of the Company, i.e. dismissal of Mr Robert Bednarski, Mr Witold Daniłowicz, Mr Raimondo Eggink, Mr Dariusz Formeła, Mr Eryk Karski, Mr Stefan Kawalec and Mr Tomasz Mosiek, who, along with Mr Michał Stopyra, were independent Members of the Supervisory Board, and appointment of new Members, at the moment the only Member of the Supervisory Board meeting the criteria of independence described in Rule III.6 of Best Practices is Mr Michał Stopyra.

Due to the fact that decisions on the composition of the Supervisory Board are made by the General Shareholders Meeting, we are unable to establish whether this departure from Best Practices will be permanent.



The main characteristics of internal audit and risk management systems used by the issuer with regard to the process of drawing up separate financial statements

The LW Bogdanka Group draws up separate and consolidated financial statements in accordance with universally binding legal provisions and internal regulations.

As part of the internal audit and risk management system, the process of drawing up the Company's financial statements is governed by a number of internal procedures aimed at ensuring effective supervision, as well as identification and elimination of potential risks. The solutions adopted are based on the Company's Organisational Rules, document workflow guidelines, accounting policy and the scope of responsibility and authorisation of finance and accounting personnel.

Further, the self-audit requirement is kept in place for all employees, as well as the functional supervision obligation for all levels of management, as part of their co-ordination and supervisory duties.

Control mechanisms intended for implementation of the following control aims have been implemented in the LW Bogdanka Group:

- Rights and obligations – distribution of tasks among employees enables early detection of errors of abuses;
- Reliability and completeness – all operations and transactions are properly carried out and recorded from the beginning to the end;
- Promptness – operations are performed and recorded in registers or software applications in due time, as provided by the regulations;
- Valuation and allocation – assets and liabilities are properly valued, and profits and costs are disclosed in their proper amounts;
- Presentation and recognition – assets, liabilities, profits and costs and transactions are properly classified, described and recognised in appropriate documents;
- Monitoring and reporting – reports containing information and data concerning carried out operations are promptly submitted to the Management Board of the Parent;
- Confidentiality – information and data are available only to the persons for whom they are intended by virtue of functions and duties of such persons;
- Availability – systems and software applications are available in time required for carrying out and recording operation and transaction;
- Compliancy – the process and its supporting systems comply with the requirements resulting from legal regulations, standards and norms.

The financial statements' reliability is ensured by data extracted from the accounting ledgers which contain entries based on correct source documentation.

Comprehensive reporting covers all applicable reporting formats. The manner of data presentation is to guarantee clarity of the financial statements (transparency and lucidity of the data), the relevance of information covered by the financial statements and data comparability.

The accounting ledgers of the LW Bogdanka Group are maintained using the FINANSE IT system, forming part of the INTEGRA Integrated Management System. The systems used are password protected against access by unauthorised persons and have functional access restrictions. Source documents, on which entries in the accounting ledgers are based, are checked as part of the so-called functional supervision performed by units substantively responsible for the transactions executed. Prior to recording a document, the accounting and finance personnel conduct the final check. The process of drawing up the Company's financial statements is supervised by the Vice-President for Economic and Financial Affairs, in charge of the finance and accounting personnel responsible for verification and recording of business events in the Group's accounting ledgers and for generating the data required for the financial statements. Moreover, the reliability of the financial statements can be attributed to experienced and highly-qualified finance and accounting personnel, supervised by heads of the particular organisational units.

LW BOGDANKA and its subsidiaries, Łęczyńska Energetyka and RG Bogdanka (as from 1 January LW Bogdanka S.A.), maintain accounting ledgers and draw up financial statements in accordance with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS), as well as with the related interpretations announced in the form of regulations of the European Commission. Other subsidiaries, when preparing financial information for the consolidation purposes apply the same accounting policies as LW Bogdanka. The Company keeps up to date with the changes to legal provisions and external regulations governing the reporting requirements.

The body supervising the financial reporting process at LW Bogdanka S.A. and co-operating with an independent auditor is the Audit Committee appointed by the Supervisory Board. Furthermore, pursuant to Article 4a of the Accounting Act of 29

September 1994, the Supervisory Board's responsibilities include ensuring that the Group's consolidated financial statements and the report on the Company's operations comply with all legal requirements.

The activity of the Audit and Internal Control Department within the Company's organisational structure, operating pursuant to the Rules of Audit and Internal Control, is also of significance. The internal audit system at LW Bogdanka S.A. is based on the principle of independence and covers all of the Company's processes, including areas that directly or indirectly affect the correctness of the financial statements.

In order to verify the compliance of the data presented in the financial statements against the factual circumstances and entries in the accounting ledgers maintained by the Company, the financial statements are audited by an independent auditor, who issues a relevant opinion. A chartered auditor is appointed by the Company's Supervisory Board from among reputable audit firms in accordance with recommendations made by the Audit Committee, which, among other things, pays due attention to ensuring the auditor's impartiality and independence.

The adopted rules of procedure with regard to drawing up the financial statements are to guarantee compliance with legal requirements and the factual circumstances, as well as timely identification and elimination of potential risks, so as to prevent them from affecting the reliability and correctness of the financial data presented.



Shareholders holding, directly or indirectly, substantial stakes the Parent

Shareholder	29 October 2015	
	Number of shares/ Number of votes at the GSM	Share in the share capital (%)
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK Nationale Nederlanden (ING) Otwarty Fundusz Emerytalny Otwarty Fundusz Emerytalny PZU „Złota Jesień”	5,157,502	15.2
	4,793,441	14.1
	3,320,377	9.8
Other	20,742,270	60.9
Total	34,013,590	100.00



Shareholder	21 March 2016	
	Number of shares/ Number of votes at the GSM	Share in the share capital (%)
Grupa Enea S.A.*	22,448,834	66.0
Other	11,564,756	34.0
Total	34,013,590	100.00

* According to the Notification received on 30 October 2015, (for more information see Current Report No. 39/2015).

Shares and shareholding

A detailed description of the share capital structure, shareholding structure, changes in its structure in 2015 as well as possible changes in the structure is described in Chapter 4, Shares and shareholding.

Owners of all the securities which entitle to special control rights

The Parent has not issued any securities which would entitle shareholders to special control rights.

Restrictions on exercising the voting right

The Articles of Association of the Parent do not provide for any restrictions on exercising the voting right at the General Shareholders Meeting of the Company.

Restrictions on transferring ownership of the Company's securities

The Articles of Association of the Parent do not provide for any restrictions on transferring ownership of the Companies' securities.

Description of the rules governing the amendments made to the Company's Articles of Association

Amendments to the Articles of Association of the Parent shall be adopted by the General Shareholders Meeting and entered into the register of entrepreneurs in compliance with the Company's Articles of Association as well as provisions of the Commercial Companies Code.

If these Articles of Association are planned to be amended to a significant extent, the Management Board shall draft a new uniform text of the Articles of Association, along with a list of provisions to be amended or added, and shall attach the draft to the announcement convening the General Shareholders Meeting which is to amend the Articles of Association.

After the General Shareholders Meeting amends these Articles of Association, the Management Board shall draft a uniform text of the amended Articles of Association and shall submit it for approval by the Supervisory Board.

Moreover, in the event of amending the Articles of Association, the Regulation of the Minister of Finance of 19 February 2009 (Dz. U. [Journal of Laws] 09.33.259, as amended) on current and periodic information published by issuers of securities and the conditions for deeming equally important the information required by provisions of law of a country which is not a Member State, which impose the obligation to publicly announce, in the form of a current report, information concerning a planned or conducted amendment of articles of association.



Governing bodies
Management Board of the Parent

Appointment of Management Board members

Rules regarding the appointment and dismissal of the President and Vice-Presidents of the Management Board of the Parent are governed by the Articles of Association of LW BOGDANKA S.A.; Pursuant to the Articles of Association of the Parent, the Management Board shall be composed of 3 to 7 members, including the President of the Management Board and Vice-Presidents of the Management Board. Members of the Management Board shall be appointed for a joint term of office lasting three years.

The mandate of a Management Board member shall expire no later than on the date of the General Shareholders Meeting which approves the report on the Parent's operations and financial statements for the last full financial year in which such member served on the Management Board.

Dismissal of Management Board members

In compliance with the Parent's Articles of Association currently in effect, each Management Board member may be dismissed or suspended from office by the Supervisory Board.

Management Board for the 8th and 9th term of office

8th (until 23 Nov. 2015)

Zbigniew Stopa	President of the Management Board
Yves, Marie, Gerard, Roger de Bazelaire de Boucheporn	Vice-President of the Management Board, Economic and Financial Affairs
Waldemar Bernaciak	Vice-President of the Management Board, Trade and Logistics
Krzysztof Szlaga	Vice-President of the Management Board, Procurement and Investments

9th (from 23 Nov. 2015)

Zbigniew Stopa	President of the Management Board
Piotr Janicki	Z-ca Prezesa Zarządu ds. Ekonomiczno-Finansowych
Waldemar Bernaciak	Vice-President of the Management Board, Trade and Logistics
Jakub Stęchły	Vice-President of the Management Board, Procurement and Investments



AGH University of Science and Technology with an M.Sc. Eng. degree, specialising in Deposits Exploitation Technology. In 1997 he completed postgraduate studies at the Central Mining Institute in Katowice in the field of Occupational Health and Safety Management. He attended a wide range of training sessions and specialist courses (the fundamentals of economics, human resource management, finance for managers) as well as completed a course for supervisory board members of State Treasury companies.

Zbigniew Stopa's career has always been connected with Lubelski Węgiel BOGDANKA S.A. and its legal predecessors. In 1984-1985 he underwent a training program underground, while from 1985 to 1987 he worked as an underground overman. In 1987 he was appointed to the position of an underground shift foreman, and towards the end of that year, to the position of an underground section foreman. In 1991+2006 he worked as an underground chief foreman. From May to December 2006 he served as the Manager of Mining Works of Nadrybie mining field. On 15 December 2006 he was appointed Vice-President of the Management Board - Production Director. On 27 September 2012, Mr Zbigniew Stopa was entrusted, by the Supervisory Board, with the task of acting President of the Management Board, and since 23 November 2011 Mr Zbigniew Stopa has been holding the position of the President of the Management Board of Lubelski Węgiel BOGDANKA S.A.

Zbigniew Stopa holds the following qualifications approved by the State Mining Authority: head of the mining works department (1997), higher-rank mining supervisor (1991). In 2007 he was appointed a member of the Mining Occupational Health and Safety Committee affiliated with the State Mining Authority in Katowice by the President of the State Mining Authority.

Piotr JANICKI - Vice-President of the Management Board, Economic and Financial Affairs

Since 2013, he has been responsible for financial affairs at Enea Wytwarzanie. Present in the power industry for fourteen years. For six years, he was a Member of the Management Board and Chief Financial Officer at the Białystok Heat & Power Plant. During that time, he gained experience in managing a company that operates in the power production industry, with particular focus on managing the company's financial affairs. He participated in a process of deep restructuring of the Białystok Heat & Power Plant, which led to a material improvement in the Company's economic efficiency ratios. On 23 November 2015, he was appointed by the Supervisory Board of LW Bogdanka S.A. to the position of the Vice-President of the Management Board, Economic and Financial Affairs.

He obtained an MA Diploma from the Faculty of Economics at the University of Białystok, as well as a Postgraduate Diploma in International Accounting Standards / International Financial Reporting Standards from the Kozminski University in Warsaw. In November 2015 appointed to the position of Vice-President of the Management Board, Economic and Financial Affairs.

Waldemar BERNACIAK - Vice-President of the Management Board, Trade and Logistics

Waldemar Bernaciak graduated in 1979 from the Faculty of Mining at AGH University of Science and Technology with an M.Sc. Eng. degree in mining and geology, specialising in Mine Design and Construction. In 1999 he completed postgraduate studies in the field of management and logistics and received a diploma of the University of Illinois at Urbana – Champaign. In 2001 he graduated from the School of Controlling in Katowice. Furthermore, he attended a number of specialist training courses (including a course on planning and production management in a coal mine at the Silesian University of Technology, logistics, materials management and stock optimisation). He also completed a course for supervisory board members of State Treasury companies.



Governing bodies Management Board of the Parent

From the outset his career has been in the mining industry. From 1979 to 1997 he was employed by Kombinat Budownictwa Górniczego WSCHÓD and its legal successors, where he held various positions, starting with a trainee miner, through an overman, shift foreman, section foreman, senior mining, engineering and construction specialist to the chief foreman (deputy mining works manager). For a decade, from 1997, he served as the Head of Materials and Machine Management Department at Lubelski Węgiel BOGDANKA S.A., while from February to August 2007 as the Head of Logistics. In August 2007 he was appointed Vice-President of the Management Board - Director for Mine Expansion, Trade and Logistics. Next, for several months he served as the acting President of the Management Board – Managing Director. On 16 February 2008 he returned to the position of Vice-President of the Management Board - Director for Mine Expansion, Trade and Logistics. In October 2008 he was appointed Vice-President of the Management Board, Trade and Logistics and has held that position ever since. Waldemar Bernaciak holds the following qualifications recognized by the District Mining Authority in Lublin: Lower-rank mining supervisor, intermediate-rank mining supervisor, higher-rank mining supervisor, mining works manager.

Jakub STĘCHŁY – Vice-President of the Management Board, Procurement and Investments

He graduated from the Silesian University of Technology in Gliwice in the following areas: Automation and Robotics, Electronics and Telecommunications, Computer Science, as well as from the Polytechnic University of Milan in Management, Economics and Industrial Engineering. Mr Jakub Stęchły also obtained a Postgraduate Diploma in Business Value Development and Business Valuation from the University of Dąbrowa Górnicza. He completed a number of expert courses and training sessions.

Since March 2015, he has been the President of the Management Board of ENEA Serwis sp. z o.o. Present in the power industry since 2011 when he took up work at TAURON Polska Energia S.A. Then, in March 2014, he became the Strategic Controlling Office Manager at ENEA S.A. in Poznań, where he was, among other things, responsible for formulating investment plans at the Group level. In his professional career, he controlled and participated in numerous key undertakings relevant to both the Company managed and the entire Group. In November 2015 appointed to the position of Vice-President of the Management Board, Procurement and Investments.

Description of operations and authorisations

Pursuant to the Parent's Articles of Association, the Management Board of LW Bogdanka S.A. runs the Group's affairs, manages its assets and represents the Group outside with respect to third parties and before or out of court.

The operations of the Management Board shall be governed by the Rules of Procedure adopted by the Management Board and approved by the Supervisory Board. During the execution of their duties, members of the Management Board shall act in accordance with the provisions of the Parent's Articles of Association and the principles of good practice, which the Parent undertook to apply.

Any matters not reserved for the Supervisory Board or the General Shareholders Meeting by law or by the Parent's Articles of Association shall fall within the scope of powers of the Management Board.

Individual members of the Management Board manage the areas of the Company's operations which are entrusted to them and their work is coordinated by the President of the Management Board.

Any matters which fall outside the scope of the Company's ordinary course of business shall require a resolution of the Management Board. In particular, without prejudice to the powers of the other governing bodies of the Company, the following issues shall require a resolution of the Management Board:

- adopting the Rules of Procedure for the Management Board of the Parent,
- adopting the Parent's Organisational Rules,
- creation and liquidation of the Company branches,
- appointment of a proxy,
- contracting loans,
- adopting annual business plans (specifying the tasks to be performed and the related budgets, covering technical and business details) and long-term strategic plans,
- assuming contingent liabilities (including the issuance of guarantees, sureties and notes),
- acquiring non-current assets with a value exceeding the amount of PLN 100,000.00 (one hundred thousand zloty),
- disposing of non-current assets with a value exceeding the amount of PLN 50,000.00 (fifty thousand zloty),
- any matters which are submitted by the Management Board of the Parent for Supervisory Board's and the General Shareholders Meeting's consideration.

The Management Board's authority with regard to decisions concerning the issue or redemption of shares is limited: pursuant to the Articles of Association of the Parent, an increase in the share capital by means of an issue of new shares (registered or bearer shares), as well as mandatory redemption of shares pursuant to Article 418 of the Commercial Companies Code, require a resolution of the General Shareholders Meeting.

The Management Board of the Parent. pays due attention to transparency and efficiency of the management system of the Group and to the maintenance of its affairs in compliance with the provisions of law and good practice.

The Management Board provides the Supervisory Board with regular and exhaustive information on any material matters concerning the Group's activities as well as the risk connected with the Parent's activities and the manners of managing such risk.

Declarations of will on behalf of the Parent may be made by two members of the Management Board acting jointly, or by a member of the Management Board acting jointly with a proxy.

The appointment of a proxy shall require a resolution of the Management Board, adopted unanimously by its members. The power of proxy may be revoked by any and each of the Management Board members.

Tasks and obligations of the members of the Management Board in 2014

In accordance with the Parent's Organisational Rules:

The President of the Management Board (D):

- Is in charge of general management and co-ordination of the Company's business and exercises supervisory powers over entities related by equity with the Company through representatives appointed to Supervisory Boards.
- Represents the Company in relations with third parties.
- Presides over the Company's Management Board, runs its work and supervises the execution of Management Board resolutions.
- Directly supervises the performance of assignments by subordinate organisational units, whose scope of activity covers:
 - company organisation,
 - supporting the operations of the Company's governing bodies,
 - privatisation, Company restructuring,
 - ownership supervision and capital investments,
 - internal structural and ownership transformations,
 - providing information and reports to investors, shareholders and stock exchange institutions,



Governing bodies

Management Boards of the Parent and Subsidiaries

- Implementing the LW BOGDANKA S.A.'s strategy and the Company's long-term plans, as well as implementing strategic management and project management at the Company;
- project management;
- co-operation with the media and the information policy;
- current records archive and general secretariat;
- internal audit in the Company;
- matters of defence;
- HR policy, employee and social issues;
- occupational health and safety, training courses;
- future plans with regard to the development and modernisation of the production process;
- protection of personal data and confidential information;
- monitoring the sales of trade coal and the quality of coal output, as well as the operations of the coal processing plant;
- conducting chemical and physical analysis and inspections of the work environment, as well as sampling the quality of coal dust kept in the warehouse;
- management of risks at the Company;
- ethics;
- monitoring the quality of construction ceramics.

Indirectly supervises the performance of assignments by organisational units, whose scope of activity covers:

- extracting and producing commercial coal;
- maintaining and developing production capacity;
- environmental protection, stone management and mining damage;
- deposit management planning;
- keeping surveyor and geological records, as well as production records;
- technical and financial advancement;
- organising and planning the production and development of the mine;
- research and implementations.

Moreover, the responsibilities of the President of the Management Board include any and all issues stipulated in the Rules of Procedure of the Management Board and the resolutions of the

Company's Management Board.
The President of the Management Board shall perform his duties in compliance with the laws in force, the provisions of the Company's Articles of Association, the Company's Bylaws and the resolutions of the Management Board, with due diligence of a prudent merchant.

The Vice-President for Economic and Financial Affairs (DE)

The Vice-President for Economic and Financial Affairs holds responsibility for the Company's operations in the following areas:

- managing the Company's finances;
- pay and insurance policies;
- economic and financial analyses;
- reporting and statistics;
- budgeting and controlling;
- supervising Company value management;
- supervising financial and accounting services;
- supervising the accountancy and settlements with business partners;
- economic effectiveness of investment projects;
- developing the rules for managing short-term securities;
- computerisation of the Company;
- inventory.

The Vice-President for Trade and Logistics (DH)

The Vice-President for Trade and Logistics organises and supervises the Company's operations in the following areas:

- sales and wholesale shipping of coal;
- sales of construction ceramics;
- coal warehousing;
- market analyses;
- rail transportation.

Vice-President of the Management Board, Procurement and Investments (DI)

Vice-President of the Management Board, Procurement and Investments organises and supervises the Company's operations in particular in the following areas:

- investment activity, capex planning, machinery purchases and overhauls as well as maintenance of buildings and structures;
- budgeting and estimating costs of services and purchases;
- organising and holding tenders, concluding contracts and

- verifying them in terms of legal and formal issues;
- waste utilisation and recycling;
- warehouse materials management and logistics (on ground).

Information about Management Board meetings and the resolutions adopted by the Parent

In the reporting year 2015 the Management Board appointed for the 8th and the 9th term held 97 minuted meetings and adopted a total of 1,583 resolutions.

The decisions taken by the Management Board in the form of resolutions resulted from the application of the provisions of the Commercial Companies' Code, the Articles of Association, the Rules of Procedure of the Supervisory Board, the Rules of Procedure of the Management Board, the principles set forth in the resolutions of the General Shareholders Meeting, the need to take decisions whose scope went beyond the Company's ordinary management and at the request of individual Management Board members.

Information on powers of proxy granted and revoked

In 2015 the Parent did not grant any power of proxy.

Management Boards of the Subsidiaries

Łęczyńska Energetyka sp. z o.o.	
Dariusz Stawowy	President of the Management Board – Managing Director
Stanisław Misterek	Vice President of the Management Board for Economic and Financial Affairs
RG Bogdanka Sp. z o.o.	
Sławomir Kozak	President of the Management Board
MR Bogdanka Sp. z o.o.	
Jaremi Gall	President of the Management Board
EkoTrans sp. z o.o.	
Marek Saba	President of the Management Board



Governing bodies
Supervisory Board of the Parent

Appointment and removal from office of the Supervisory Board members of the Parent

The rules concerning appointment and removal from office of the Supervisory Board members of the Parent are governed by the Articles of Association of LW Bogdanka S.A.

In accordance with the Articles of Association of LW BOGDANKA S.A., the Supervisory Board consists of 5 (five) to 9 (nine) members. The members of the Supervisory Board are appointed individually the term of office of three years as well as removed from office by the General Shareholders Meeting. Members of the Supervisory Board may be removed from office by the General Shareholders Meeting at any time.

A Supervisory Board member shall file his/her resignation in writing to a member of the Management Board or to a proxy. The Management Board member or the proxy who receives the resignation shall promptly notify the other members of the Management and Supervisory Boards of the same.

The mandates of the Supervisory Board Members expire not later than on the date when the General Shareholders Meeting approves the report on operations and the financial statements for the last full financial year when the Supervisory Board Members performed their function.

Composition of the Supervisory Board of the Parent

The Supervisory Board of the Parent is appointed for a three-year individual term of office. The members of the Supervisory Board are appointed and removed by the General Shareholders Meeting. In 2015 the Parent's Supervisory Board operated in the following compositions:

Composition of the Supervisory Board until 18 Jun. 2015

Witold Daniłowicz	Chairman
Stefan Kawalec	Deputy Chairman
Raimondo Eggink	Secretary
Robert Bednarski	Member
Dariusz Formela	Member
Eryk Karski	Member
Tomasz Mosiek	Member
Michał Stopyra	Member

Composition of the Supervisory Board as from 18 Jun. 2015 until 16 Nov. 2015

Witold Daniłowicz	Chairman
Stefan Kawalec	Deputy Chairman
Raimondo Eggink	Secretary
Robert Bednarski	Member
Dariusz Formela	Member
Eryk Karski	Member
Tomasz Mosiek	Member
Michał Stopyra	Member

On 28 October 2015 Raimondo Eggink submitted to the Company's Management Board a statement on his resignation from the position of the member of the Supervisory Board of LW Bogdanka S.A. with immediate effect.

Composition of the Supervisory Board as from 16 Nov. 2015

Dalida Gepfert	Chairman
Paweł Orlof	Deputy Chairman
Krzysztof Matan	Secretary
Magdalena Kaczmarek	Member
Bartosz Krysta	Member
Michał Stopyra	Member

On 9 December 2015 Paweł Orlof submitted to the Company's Management Board a statement on his resignation from the position of the member of the Supervisory Board of LWB S.A. with the effect as of 8 December 2015. On 14 January 2016 Dalida Gepfert submitted to the Company's Management Board a statement on his resignation from the position of the member of the Supervisory Board of LWB S.A. with the effect as of 14 January 2016.

Composition of the Supervisory Board as from 23 Feb. 2016

Mirosław Kowalik	Chairman
Wiesław Piosik	Deputy Chairman
Szymon Jankowski	Secretary
Magdalena Kaczmarek	Member
Przemysław Krasadomski	Member
Michał Stopyra	Member

Description of activities

The Supervisory Board exercises continuous supervision over the Parent's activities in all areas of its operations. The Supervisory Board adopts resolutions in matters provided for in the Commercial Companies Code and the Articles of Association of the Company.

The responsibilities of the Supervisory Board of the Parent include:

- assessment of the Directors' Report on the Parent's operations and financial statements for the preceding financial year regarding their conformity with books, documents and facts, as well as the assessment of the consolidated financial statements of the capital group, if such a report is prepared.
- assessing motions of the Management Board regarding the distribution of profits or covering of losses;
- submission to the General Shareholders Meeting of an annual written report on the results of the activities referred to above,
- selecting a chartered auditor to audit annual financial statements and consolidated financial statements of the Company's capital group;
- determining the scope and deadlines for the Management Board's submission of annual material and financial plans (technical and economic) and long-term strategic plans;
- approving of the Company's long-term strategic plans as well as changes thereto;



Governing bodies

Supervisory Board of the Parent

- approving of the Parent's annual business plans (specifying the tasks to be performed and the related budgets) as well as changes thereto,
- adopting rules laying down the detailed procedure followed by the Supervisory Board;
- adopting for the Parent's internal purposes the uniform text of the Parent's Articles of Association prepared by the Company's Management Board,
- approving the Rules of the Management Board of the Parent
- approving the Rules of Procedure of Internal Audit and Control as well as changes thereto.

The powers of the Supervisory Board shall include granting consent to the Management Board for the following:

- acquisition or disposal of real estate, perpetual usufruct right to or an interest in real estate with a value exceeding the PLN equivalent of EUR 250,000.00;
- acquisition, sale or production of non-current assets, non-current assets in construction or intangible assets which are not provided for in an annual business plan approved by the Supervisory Board, as provided for in the Articles of Association, if the value of one or more related transactions exceeds the PLN equivalent of EUR 5,000,000;
- establishment of a security regarding any liability of the Company or a third party, if the value of one or more related transactions exceeds the PLN equivalent of EUR 1,000,000;
- entering into an agreement by the Company or performing any other legal act other than those indicated in 2) or 3), which is not described in an annual business plan approved by the Supervisory Board, as provided for in the Articles of Association, where the total value of the Parent's benefits or receivables (with respect to one or more related legal actions and regardless of a period which they cover), exceeds the PLN equivalent of EUR 10,000,000, except for agreements entered into as part of the Company's core business;
- conclusion by the Company of an agreement with a value exceeding the PLN equivalent of EUR 10,000, where the subject matter is a donation or release from debt, or another agreement where the subject matter is not related to the core business of the Company as defined in the Articles of Association:

- entering by the Parent or by its subsidiary into a significant contract with an entity related to the Parent, a member of the Supervisory Board or a member of the Management Board, and with entities related to them. The obligation to express consent does not concern typical arm's length transactions concluded as part of the operating activity by the Company and a subsidiary in which the Company holds a majority equity interest;
- entering by the Company into a credit, loan, or surety agreement or any similar agreement with a member of the Management Board, a proxy, a liquidator, or for the benefit of any of those persons;
- contracting liabilities, i.e. a loan, credit, security or similar, which are not provided for in an annual business plan approved by the Supervisory Board, as provided for in the Articles of Association, whose value (except for interest on repayable funds) exceeds the PLN equivalent of EUR 25,000,000, except for the issue of securities referred to in Article 52.3.5 (of the Company's Articles of Association);
- granting by the Company of a loan, a guarantee, issuing a bill of exchange or granting other indebtedness;
- granting consent to the creation of foreign branches of the Company;
- granting consent to paying to the Shareholders an advance for the expected dividend at the end of a financial year.

Additionally, the Supervisory Board's powers shall include in particular:

- appointing and dismissing members of the Management Board,
- establishing the remuneration rules and remuneration amounts to be received by the Management Board members,
- suspending the members of the Management Board from office for important reasons,
- delegation of the Supervisory Board members, for a period of up to three months, to temporarily perform the duties of Management Board members who have been removed from office, resigned from office or are unable to perform their duties for another reason,
- representing the Company in agreements and disputes between the Company and the Management Board members,
- granting permission to Management Board members for

accepting positions on the governing bodies of other entities,

- approval of dismissal of a person in charge of the Parent's organisational unit responsible for internal audit and control.

The operating procedure of the Supervisory Board, including the procedure for convening Supervisory Board meetings, are defined in detail in the Rules of Procedure of the Supervisory Board adopted by the Supervisory Board.

The activity of the Board shall also be based on the principles of good practice of companies listed at the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.).

The Board may appoint standing and temporary committees from among its members. The Audit Committee is the standing committee at the Supervisory Board.

Audit Committee

The Audit Committee, as a collective advisory and opinion-giving body, supported the activities of the Supervisory Board in 2015.

In accordance with the Rules of Procedure of the Supervisory Board, the Audit Committee is composed of no less than three members, at least one of whom shall meet the requirement of being an independent member within the meaning of the Polish Act on Chartered Auditors. The task of the Audit Committee shall be advising the Board in matters of appropriate implementation of standards of budget and financial reporting and internal control of the Company and its Group, as well as chartered auditors auditing the Group's financial statements.

In particular, the duties of the Audit Committee shall include:

- monitoring the process of financial reporting and performing audits,
- monitoring the effectiveness of the following systems: internal control, internal audit and risk management,
- cooperation with the chartered auditor auditing the financial statements of the Company, as well as monitoring the autonomy of the chartered auditor and an entity authorised to audit the financial statements, and recommending to the Supervisory Board the chartered auditor to be selected,
- discussing the nature and scope of audit with chartered auditors, before the commencement of an audit of the annual financial statements, and

providing the Board with information on the work of the Audit Committee, including any suggestions on the necessity to take specific measures.

Governing bodies

Supervisory Boards of the Parent and Subsidiaries

In 2015 the **Audit Committee** operated in the following compositions:

Composition of the Audit Committee until 16 Nov. 2015

Eryk Karski	Chairman
Robert Bednarski	Member
Raimondo Eggink	Member
Tomasz Mosiek	Member

In relation to appointing the Supervisory Board in a new composition, on 16 November 2015, on the first meeting of the Company's Supervisory Board of LW Bogdanka S.A., on 23 November 2015, a new Audit Committee was appointed.

Composition of the Audit Committee as from 23 Nov. 2015

Dalida Gepfert	Chairman
Magdalena Kaczmarek	Member
Michał Stopyra	Member

On 7 January 2016, Ms Dalida Gepfert submitted a statement of resignation from the position of the Supervisory Board Member and Chairman of the Audit Committee effective from 14 January 2016. On 3 March 2016, the Supervisory Board of LW Bogdanka S.A. appointed Mr Przemysław Krasadomski as Chairman of the Audit Committee.

Composition of the Audit Committee as from 3 Mar. 2016

Przemysław Krasadomski	Chairman
Magdalena Kaczmarek	Member
Michał Stopyra	Member



The Appointment and Remuneration Committee

The Appointment and Remuneration Committee assessed the Management Board's performance of quantitative and qualitative targets as well as solidarity objective for 2014 within the MBO procedure, and prepared Goals Sheets for 2015. The Committee also prepared recommendations for the Supervisory Board on the selection of a HR consultant.

Composition of the Appointment and Remuneration Committee until 16 Nov. 2015

Stefan Kawalec	Chairman
Raimondo Eggink	Member
Michał Stopyra	Member

The Strategy Committee

Composition of the Strategy Committee until 16 Nov. 2015

Dariusz Formela	Chairman
Stefan Kawalec	Member
Tomasz Mosiek	Member

The Strategy Committee assessed the amendments to the Company's Strategy.

Compositions of Supervisory Boards of Subsidiaries

Łęczyńska Energetyka sp. z o.o.

Zbigniew Pietrzak	Chairman
Teodor Kosiarski	Deputy Chairman
Krzysztof Ancuta	Secretary

RG Bogdanka sp. z o.o.

Dawid Osowski	Chairman
Anna Telecka	Deputy Chairman
Krzystian Haraszczuk	Secretary

MR Bogdanka sp. z o.o.

Ryszard Metelski	Chairman
Edyta Jasińska	Deputy Chairman
Krzysztof Wlizio	Secretary

EkoTrans Bogdanka sp. z o.o.

Waldemar Piotruk	Chairman
Laurencja Helena Łyszczarz	Deputy Chairman
Sebastian Buczak	Secretary



General Shareholders Meeting of the Parent

Manner of operations of the General Shareholders Meeting and its main powers, as well as description of rights of the shareholders rights and the manner for their exercise, in particular the rules of operation under the Rules of Procedure of the General Shareholders Meeting

The General Shareholders Meeting of LW BOGDANKA S.A. holds annual or extraordinary sessions based on provisions of the Commercial Companies Code, the Company's Articles of Association and the Rules of Procedure of the General Shareholders Meeting of LW BOGDANKA S.A.

The General Shareholders Meeting is convened by the Management Board, subject to the provisions of the Commercial Companies Code and Article 44 of the Company's Articles of Association.

The General Shareholders Meeting is convened by way of publishing a relevant announcement at the Company's website, in a manner specified for announcing information by public companies, with a proviso that such an announcement should be published at least twenty-six days before the proposed date of the General Shareholders Meeting.

The General Shareholders Meeting may adopt resolutions only with respect to the issues included in the agenda, subject to the provisions of Article 404 of the Commercial Companies Code. A shareholder or shareholders representing at least one-twentieth of the share capital may request that certain matters be placed on the agenda of the General Shareholders Meeting. In order to exercise their right, the shareholders entitled to request that certain matters be placed on the agenda of the General Shareholders Meeting, should submit a request to the Company's Management Board, in writing or in an electronic form, along with a justification and a draft resolution regarding the proposed item of the agenda, not later however than twenty-one days before the scheduled date of the General Shareholders Meeting.

The Management Board announces the changes in the agenda of the next General Shareholders Meeting introduced at the request of the shareholders; the announcement shall be made promptly, however not later than eighteen days before the scheduled date of the General Shareholders Meeting. The announcement shall be made in a manner appropriate for the convening the General Shareholders Meeting.

Only persons who are shareholders of the Company sixteen days before the date of the General Shareholders Meeting (i.e. the date of registering participation in the Meeting) are entitled to participate in the General Shareholders Meeting with the right to vote.

Persons entitled under registered shares and temporary

certificates and pledgees and usufructuaries who are entitled to vote have the right to participate in the General Shareholders Meeting provided that they are entered in the shareholders register on the date of registering participation in the meeting. Further, members of the Company's Management Board and the Supervisory Board have the right to participate in the General Shareholders Meeting. The chartered auditor who audits the Company's financial statements and the Company's chief accountant are also entitled to participate in the General Shareholders Meeting convened to discuss financial affairs of the Company. Experts and guests invited by the body which convenes a particular General Shareholders Meeting can also participate in the meeting.

A shareholder can transfer its shares in the period between the date of registering participation in the General Shareholders Meeting and the date when the meeting ends.

In accordance with the Rules of Procedure of the General Shareholders Meeting of LW BOGDANKA S.A., members of the Supervisory Board and the Management Board and the Company's chartered auditor should, within the limits of their powers and to the extent necessary to resolve matters being discussed by the General Shareholders Meeting, provide participants in the meeting with clarifications and information relating to the Company.

Shareholders can participate in the General Shareholders Meeting and exercise their voting rights either personally or through a proxy. Powers of attorney to participate in a General Shareholders Meeting and vote should be granted in writing or in electronic form.

Unless otherwise stipulated by the provisions of the Commercial Companies Code or the Company's Articles of Association, the General Shareholders Meeting may adopt resolutions irrespective of the number of shares represented at the Meeting. At the General Shareholders Meeting, one share confers the right to one vote.



The Annual General Shareholders Meeting shall be convened in order to:

- recognise and approve the reports,
- adopt a resolution on the distribution of profit or coverage of loss,
- grant discharge to the members of the Company's governing bodies in respect of the performance of their duties,
- set the dividend record date and dividend payment date.

The following issues shall require a resolution of the General Shareholders Meeting:

- appointment and removal from office of the Supervisory Board members,
- determination of the rules governing remuneration of the Management Board and Supervisory Board members, including remuneration amounts,
- disposal or lease of the Company's enterprise or an organised part thereof, or establishment of limited property rights thereon,
- execution by the Company of a loan, credit or other similar agreement with, or for the benefit of, a Management Board member, a Supervisory Board member, a proxy or a liquidator,
- increase in or reduction of the Parent's share capital,
- issue of bonds of any type,
- acquisition of its own shares by the Company, or granting authority to acquire such shares, under circumstances provided for in the Commercial Companies Code, mandatory redemption of shares in accordance with the Commercial Companies Code,
- creation, use and release of capital reserves,
- use of statutory reserve funds,
- making decisions with respect to claims for repair of damage caused upon the Company's formation or in the course of management or supervision of the Company,
- merger, transformation or demerger of the Parent,
- amendments to the Parent's Articles of Association, including changes to the Parent's business profile, dissolving and liquidating the Parent.
- establishment of another company by the Parent,
- subscription for or acquisition of shares in another company,
- disposal of subscribed for or acquired shares in another company.



General Shareholders Meeting of the Parent, Dividend

Information of General Shareholders Meetings held in 2015

In 2015 one Annual and two Extraordinary General Shareholders Meetings were held:

Annual General Shareholders Meeting as at 18 June 2015 – held in Bogdanka.

Agenda of the Annual General Shareholders Meeting of 18 June 2015:

- Opening of the General Shareholders Meeting.
- Electing the Chairman of the General Shareholders Meeting.
- Acknowledging the General Shareholders Meeting to be validly convened and acknowledging its capacity to adopt resolutions.
- Adopting the agenda.
- Considering the Financial Statements and Directors' Report on Operations of LW Bogdanka S.A. for 2014.
- Considering the Consolidated Financial Statements of the LW Bogdanka Group and the Consolidated Director's Report on Operations of the LW Bogdanka Group for 2014.
- Presentation of the Management Board's motion regarding the distribution of net profit for 2014.
- Presentation of the Report of the Supervisory Board of Lubelski Węgiel Bogdanka S.A. for 2014.
- Adopting resolutions on:
 - approval of the Financial Statements of LW Bogdanka S.A. for 2014,
 - approval of the Directors' Report on Operations of LW Bogdanka S.A. for 2014,
 - approval of the Consolidated Financial Statements of the LW Bogdanka Group for 2014,
 - approval of the Directors' Report on Operations of the LW Bogdanka Group for 2014,
 - granting discharge to the members of the Management Board of LW Bogdanka S.A. for the performance of duties in 2014,
 - approval of the Report of the Supervisory Board of LW Bogdanka S.A. for 2014,
 - granting discharge to the members of the Supervisory Board of LW Bogdanka S.A. for the performance of duties in 2014,
 - distribution of net profit for the financial year 2014,
 - specifying a dividend date and a date of payment.

- Adopting resolutions on Amendments in the Company's Articles of Association.
- Adopting resolutions on appointing the members of the Supervisory Board.
- Miscellaneous.
- Closing of the General Shareholders Meeting.

Extraordinary General Shareholders Meeting as at 15 October 2015

– held in the Company's registered office in Bogdanka.
Agenda of the Annual General Shareholders Meeting of 15 October 2015:

- Opening of the General Shareholders Meeting.
- Electing the Chairman of the General Shareholders Meeting.
- Acknowledging the General Shareholders Meeting to be validly convened and acknowledging its capacity to adopt resolutions.
- Adopting the agenda.
- Adopting resolutions on Amendments in the Company's Articles of Association,
- Miscellaneous.
- Closing of the General Shareholders Meeting.

Extraordinary General Shareholders Meeting as at 16 November 2015

– held in the Company's registered office in Bogdanka.
Agenda of the Annual General Shareholders Meeting of 16 November 2015:

- Opening of the General Shareholders Meeting.
- Electing the Chairman of the General Shareholders Meeting.
- Acknowledging the General Shareholders Meeting to be validly convened and acknowledging its capacity to adopt resolutions.
- Adopting the agenda.
- Adopting resolutions on Amendments in the Company's Articles of Association,
- Miscellaneous.
- Closing of the General Shareholders Meeting.

Information on adopted resolutions as well as all documents are available at the Company's website www.ri.lw.com.pl.

Dividend policy

The Management Board has been analysing the dividend policy for the following years in consideration of local and global trends and price conditions. Securing liquidity and financial stability are key for the Company. The dividend policy for the years to come will be adopted and announced along with the Strategy of the operations.

Dividend for 2014

On 18 June 2015, the Annual General Shareholders Meeting of LW Bogdanka S.A. in Bogdanka, acting under Article 395.2.2 of the Commercial Companies Code and Article 52.1.2 of the Company's Articles of Association, considering the assessment made by the Supervisory Board, decided that the net profit generated by the Company in 2014 in the amount of PLN 272,942,404.07 (two hundred and seventy-two million nine hundred and forty-two thousand four hundred and four zlotys 07/100) would be distributed as follows:

- PLN 119,047,565.00 (one hundred and nineteen million forty-seven thousand five hundred and sixty-five zlotys 00/100) – for a dividend, i.e. PLN 3.50 (three zlotys 50/100) per share.
- PLN 153,894,839.07 (one hundred and fifty-three million eight hundred and ninety-four thousand eight hundred and thirty-nine zlotys 07/100) – for the Company's supplementary fund.

The above proposal is compliant with the Company's dividend policy for 2013-2015. The number of shares covered by the dividend is 34,013,590 shares. Further, the General Shareholders Meeting scheduled the dividend date for 17 September 2015, and the dividend payment date for 8 October 2015.





Cooperation of the Group with representatives of the employees and local community

The dominant values cherished by the LW Bogdanka Group are as follows: honesty, professionalism and responsibility. These values ensure the harmonious development of the Company pursuing its economic objectives in line with the expectations of the society and the requirements of the environment.

The Company is consistently and systematically implementing the "Corporate Social Responsibility Strategy for 2014-2017". The updated approach to social responsibility management may be defined in a nutshell as: "Safety of workforce, protection of local community and natural environment. Sustainable and foreseeable development and growth in value of the Group." The strategy itself is based on the continued following of four priorities:

- To strive to increase the safety of workforce
- To guarantee the safety of local natural environment
- To ensure safety and support development of local community
- Transparent and responsible management practices

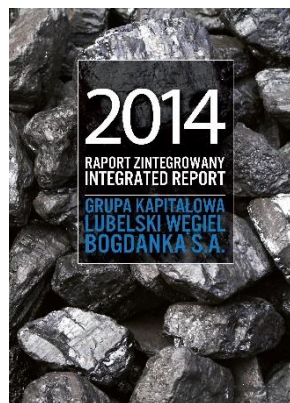


The LW Bogdanka Group's CSR activities are implemented in accordance with the recommendations of the standard PN-ISO 26000, developed by the International Organisation for Standardisation in 2010, which is a guide for organizations in terms of the application of the principles of social and environmental responsibility.

ISO 26000 contains Guidance on Social Responsibility, defined as the responsibility of the organization for the impact that its decision and activities have on the society and the environment, through transparent and ethical behaviour in key areas, such as:

- corporate governance
- human rights
- work practices
- dialogue session with trade unions
- environment
- fair operating practices
- consumer-related issues
- social involvement and development of the local community

Reporting



In June 2015, the LW Bogdanka Group released the Group's Integrated Report for 2014 developed in line with the newest GRI Guidelines, G4. The Report includes indicators that are characteristic for the mining industry. The Report for 2014 covered all subsidiaries (MR Bogdanka sp. z o.o., RG Bogdanka sp. z o.o., EkoTrans sp. z o.o., Łęczyńska Energetyka sp. z o.o.), and presented financial results and social impact. Reliability of the Report and its compliance with the Guidelines was supervised by a third party expert who also supported its preparation.

Management approach

- Integrated Enterprise Risk Management System (ERM) and IT Risk Manager – risk management system of LW Bogdanka S.A. is based on policies and procedures such as: LW Bogdanka Corporate Risk Management Policy, LW Bogdanka Corporate Risk Management Model – ERM Procedures, LW Bogdanka Risk Register, LW Bogdanka Risk Map, List of Strategic Risks of LW BOGDANKA, and Programs of Strategic Risk Mitigating Measures at the Company
- Integrated Management System – operational management at LW Bogdanka is based on an integrated system compliant with the following standards: PN-EN ISO 9001:2009, PN-EN ISO 14001:2005, and PN-N-18001:2004. In addition, the occupational health and safety management system is compliant with British standard BS OHSAS 18001:2007.

Ethics as component of the organisational culture



"LW Bogdanka S.A. is a company with an extensive organisational culture, an effective ethical programme, a consistent system of values, and, above all, a mission with the common good as its main purpose. The Company's competitive position in the marketplace and the continued growth of trust in the relations with various groups of stakeholders confirm that LW Bogdanka S.A. was right to choose and promote management through values," says dr Monika Baczevska-Ciupak, Department of Ethics, Faculty of Philosophy and Sociology, Maria Curie-Skłodowska University (UMCS) in Lublin.

The existing Code of Ethics, which was for the first time published in 2011, is modified and improved on an ongoing basis in response to the constant monitoring of the Company's situation and its activities.

The following documents were developed in 2015: "Supplier Code of Conduct of LW Bogdanka S.A."; "Guidelines for Filing and Handling Complaints Related to Noncompliance with the Rules of the Company's Code of Ethics"; information regarding "Compliance with the Rules of Ethics at Interviews with Injured Parties and Witnesses for the Purposes of Developing Accident Reports". In addition, 60 people were trained in compliance with the Company's ethical standards.

Educational and awareness campaign is conducted on an ongoing basis with the use of such tools as plasma screens, the "Bogdanka" corporate newspaper and the Intranet, with a view to exposing and promoting ethical values recognized in LWB.



Cooperation of the Group with representatives of the employees and local community

Trade unions



In the coal mining sector, trade unions hold a significant position and play an important role in determining staff and payroll policy.

As at the day of submitting this Report, six trade union organisations operate at the LW Bogdanka Group, associating approx. 65.77% of the Group's employees (at the Parent there are four trade union organisations associating 70.51% of staff).

Cooperation of the Management Board of the BOGDANKA Group with the management boards of union organisations is constructive. Union organisations participate in decision-making to the extent provided for by the law.

Social dialogue

As part of the monitoring of the CSR Strategy, we review the key groups of stakeholders and the current and desired forms of dialogue with them. In the case of these key groups, the communication is very regular, direct and often at the highest level, enabling ongoing consultation in important matters.

In 2015, we held: 22 dialogue sessions with the trade unions and the matters discussed included pay negotiations; 23 meetings of the Social Benefits Commission composed of representatives of the employer and the trade unions; and 2 scheduled meetings of the Conciliation Team for Periodic Assessment of the Impact of

Mining on the Surface in the Communes of Cyców, Ludwin and Puchaczów, with the participation of the Director of Regional Mining Office in Lublin, who chairs the Team.

Collective disputes

Between 17 June and 4 August 2015, a labour dispute took place between all the trade unions and the employer, related to the difference of opinion regarding work organisation, outsourcing of underground work, job protection and remuneration policy in the Company in 2015. On 22 July 2015, all trade unions held a demonstration, during which the Management Board of the Company was handed in a petition.

The trade unions requested that jobs be protected, that only work which cannot be done by the Company's own workforce be outsourced, and that the average monthly salary be kept at the 2014 levels.

The Management Board of the Parent held mass meetings with the staff in all three mining fields, and on 4 August the parties reached a compromise: putting additional funds in the Company Social Benefits Fund, limiting dismissals of employees only to those justified by negative assessment of their work, undertaking efforts to make outsourcing more rational, and average pay at the 2013 levels, subject to the final decision of the parties to the agreement on the level of average monthly salary for 2015 in January 2016 based on the Company's performance in 2015 and the level of supply contracting for 2016 (volume and price).

Effectiveness of safety management in the workplace

At the LW Bogdanka Group, issues related to occupational health and safety (OHS) management are part of the Integrated Health and Safety, Quality and Environment Management System at the LW Bogdanka Group.

In May 2015, the LW Bogdanka Group took an audit for compliance with ISO standards. In their conclusions, the team of auditors confirmed that the organisation has a quality management system consistent with the requirements of the reference standards. The organisation has demonstrated the ability of the system to achieve objectives within the predefined scope of the system.

At the moment, the Company is implementing several (facultative) OHS solutions. They include: placement of telecardiographs for independent heart rate monitoring across the mine, ensuring availability of a defibrillator and Kazik machines for collection of personal protective equipment (PPE), and organisation of events – safety days.

TELEMEDYCYNAPOLSKA
lider teleopieki kardiologicznej

Biuro Ośrodku Klinicznego - 32 376 14 55
w dni powszednie w godz. 9:00 - 18:00
Kardiologia Centrum Monitoringu Kardiologicznego
ambulansowy mobilny
tel. 32 376 18 00 całonocowa, we wszystkich dni roku



Usługa Kardiotele polega na całodobowej /we wszystkie dni roku/ teleopiece kardiologicznej, wraz z możliwością wykonywania, przesyłania i konsultowania badań EKG z lekarzem specjalistą przez telefon. Wykonywane badania EKG są archiwizowane z możliwością wysłania do pacjenta.

Z Kardiotele możesz korzystać zawsze, gdy masz taką potrzebę, gdy czujesz się źle, a także profilaktycznie, aby na bieżąco kontrolować stan swojego serca.

Opłaty za połączenie telefoniczne obciążają linię telefoniczną /numer/, z której realizowane jest połączenie.
Koszty połączenia komórkowego (GSM) zgodnie z taryfą operatora.
Koszty połączenia nie zawierają się w kwocie opłaty abonamentowej.

Przesłanie wyników badań: -bezpłatnie przy transmisji mail-owej lub 1 PLN (słownie 1 złotych) za każdą kartkę + koszty przesyłki.

Aparat do wykonywania EKG znajduje się w Punkcie Wydawania Przyrządów Pomiarowych /lampownia/ na poszczególnych polach.

TELEMEDYCYNAPOLSKA



Cooperation of the Group with representatives of the employees and local community

In August 2015, we held Safety Days. During three days of training and consultation, employees of the Company could learn about matters such as proper use and maintenance of hearing, head and eye protection, combined with building awareness of the risks, or hearing protection and improvement of communication in noisy work environment through the use of hearing protectors with a wireless communications set. In addition, during the Safety Days we tested the employees' knowledge about occupational health and safety, which was the first stage of the "Protect Your World" competition.

Close to nature

Effective environmental management is based on the Integrated Health and Safety, Quality and Environment Management System. It complies with PN-EN ISO 9001:2009, PN-EN ISO 14001:2005, PN-N-18001:2004 and, additionally, as regards health and safety, with the British standard BS OHSAS 18001:2007.



"At the Nadrybie Lake we may encounter many species of birds, including rare ones, listed in the Polish Red Book. In spring, we may see the white-winged tern, the whiskered tern, the black tern, and the black-headed gull, which all come here to feed. We will hear birds such as the great reed warbler, the sedge warbler, the blackcap, the lesser whitethroat and the thrush nightingale, as well as the great bittern, whose call sounds like whistling into a bottle, the little bittern, who sounds like a barking dog, and the water rail, whose call is a pig-like squeal", says Jarosław Krogulec, Environmental Protection manager of the Polish Society for the

LW Bogdanka S.A., in cooperation with the Polish Society for the Protection of Birds (OTOP), opened a new educational path, Nadrybie. It runs around the Nadrybie Lake – and artificial reservoir created as a result of mining works. The Nadrybie path is located within the Łęczna Lake District Landscape Park, in an area with particular natural value and protected by the Natura 2000 network.

Protection of Birds.

In the course of preparing the path and setting out the trail with educational boards, a survey of the fauna and flora was conducted and a guide for self-sightseeing was published. In addition to the OTOP, the following were engaged in the creation of the path: the Puchaczów Commune Office, the Łęczna District Governor's Office, the Provincial Office of Land Reclamation and Water Facilities, who provided the land for the path, and the Jan and Kazimierz Bogdanowicz Primary School in Nadrybie.

Relations with the local community

From the very beginning of its existence, the LW Bogdanka Group has been supporting the local community, including a wide range of local social initiatives, aimed at the development of the cultural, scientific, educational and health realm, construction of communal infrastructure, and answering other needs of the local community. The Group also sponsors sporting and cultural activity. In 2015, Parent made 100 donations in cash and in kind of a total value of PLN 234,766.14.

In June 2015, the Inter-Sectoral Agreement for Life and Health – LW Bogdanka S.A., the Solidary Miners Foundation and the Regional Blood Centre in Lublin (RCKiK) signed a tripartite agreement dedicated to the promotion of voluntary blood donation, blood transfusion and registration with the bone marrow donors bank.



The blood-giving tradition at LWB is more than thirty years old, a major contribution to which is the Z. Gola Honorary Blood Donors Club of the Polish Red Cross, and the spontaneous reactions of our employees in solidarity with those who need blood. The aim of

the Agreement is to implement an educational and volunteering programme, involving engagement of the Company's personnel and the local community in blood and bone marrow donation campaigns. This is the first initiative of this kind in the region, combining the efforts of the public, business and non-governmental sectors to support the noble idea of blood and bone marrow donation and transfusion. During this time, four blood and bone marrow donation campaigns were organised at the mine and

in the surrounding communes, there was a Blood Donation Open Day, and educational and informational materials are distributed on a regular basis.

The Solidary Miners Foundation



The Solidary Miners Foundation, which has been active since the end of 2013, was created to help former and current employees of the mine as well as those working at the mine, their families, accident victims, or persons in a difficult situation.

To date, the Foundation has financed surgeries, medical procedures, treatment, and rehabilitation, financed or co-financed the purchase of medical equipment and devices (a wheelchair, equipment for testing vibrations, a defibrillator, a lift for a disabled person, barrier-free environment, etc.) and access-friendly infrastructure (such as bathrooms and barrier-free architecture) for the disabled. It has also awarded two scholarships for high marks at school, and provided aid to those disadvantaged (holidays, food, financial support, etc.). In total, the different forms of help were distributed to 28 persons or institutions, of which:

- surgeries, medical procedures, treatment and rehabilitation – approx. 44%,
- purchase of medical equipment and devices – approx. 36%,
- access-friendly infrastructure – approx. 11%,
- aid to those disadvantaged (holidays, food, financial support) – approx. 7%,
- scholarships for high marks at school – approx. 2%.

Cooperation of the Group with representatives of the employees and local community

Employee volunteering



C-Zone Education – there is a dedicated education zone at the mine, where we organise special events and show exhibits, during which we talk about the mining traditions, customs and working at a mine.

Positive Twist – a continuing campaign involving collection of screw-on bottle caps for the children and youth from the Little Prince Hospice in Lublin. In 6 months we collected several hundred kilograms of plastic caps.

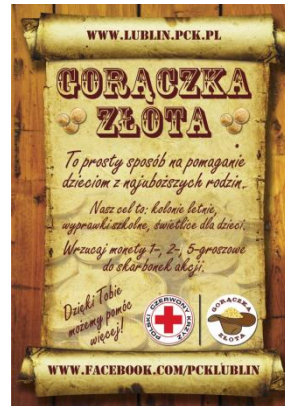


Holiday food collection for the Happy Childhood Foundation. The food is used to prepare meals for the children and youth participating in the Foundation's summer camps.



Noble Box – in 2015, this was a special event as several grass-root initiatives were organised in each of the different departments of the mine, which meant help for more families. *We would like to very much thank all who joined in and prepared the box. You are good people and your involvement in getting us a gift exceeded our expectations. We thank you very much indeed.*

Gold Rush – the project involves getting rid of small coins (1, 2, and 5 grosz) sitting in the wallet. Participation in the project is the initiative of the mine's Z. Gola Honorary Blood Donors Club of the Polish Red Cross. In the first week of the campaign, 32 kg of grosz coins were collected. The funds will be used to finance holiday trips, after school clubs or purchase of school materials for those in care of the Lublin Branch of the Polish Red Cross. The action will continue until 15 June 2016.



Awards and accolades



1st place in the so-called small ranking of socially responsible companies

8 Best Practices made it into the **Responsible Business in Poland. Best Practices** report



Green Laurel award for taking action to reduce the mine's impact on the environment

Economic Award of the President of Poland



Listing in the **9th edition of the Respect Index**



Cooperation of the Group with representatives of the employees and local community

Membership in organisations, participation in industry initiatives

CSR Trends Monitoring Team at the Ministry of Economy



EURACOAL (The European Association for Coal and Lignite)



Vision of Sustainable Development for Polish Business (Vision 2050)



School of Underground Exploitation

Polish Association of Listed Companies



HUGE 2: Hydrogen Oriented Underground Coal Gasification for Europe – Environmental and Safety Aspects” (international consortium headed by the Central Mining Institute in Katowice)



Civic Shareholding. Invest Consciously

LW Bogdanka – Investor Friendly Company



LW Bogdanka: PN-EN ISO 9001:2009, PN-EN ISO 14001:2005, PN-N-18001:2004, BS OHSAS 18001:2007; Łęczyńska Energetyka: PN EN ISO 9001:2008 and PN EN ISO 14001:2005

Participation in the “ESG Analysis of Polish Companies” project with respect to non-financial ESG (Environment, Social, Governance) disclosures of listed companies

The “ESG Analysis of Polish Companies” project organised by the Polish Association of Listed Companies and Crido Business Consulting enables Polish issuers to check how they are judged in the context of non-financial ESG disclosures. They relate to the environmental protection, social responsibility and corporate governance. The study also makes it possible to draw comparisons within a certain industry.

In 2015 LW Bogdanka S.A. once again took part in that project. The Company was once more recognised in this ranking for high quality and transparency of non-financial data communication. The “ESG Analysis of Polish Companies” covered all companies listed on the Warsaw Stock Exchange (including New Connect).



Raportowanie danych niefinansowych ESG, a odpowiedzialne inwestowanie. Przewodnik dla spółek i inwestorów



Summary

The “Social Responsibility Monitoring of Major Polish Companies” project. The study examined information on selected aspects of corporate social responsibility (12 indicators) of 227 strategic companies in Poland. In the case of LW Bogdanka S.A. 11 out of 12 indicators were successfully verified. (<http://www.centrumcsr.pl/screening-tabela/>).



Glossary



fairness opinion – a report from the valuation of a business, a statement certifying that the price of a given transaction is fair

EBIT – earnings before interest and taxes

EBITDA – earnings before interest, taxes, depreciation and amortization

Respect Index – an index of socially responsible companies

CSR – corporate social responsibility

IFRS – International Financial Reporting Standards

Audit Committee – a team within the Supervisory Board responsible for overseeing the company's financial reporting

gross margin on sales – the rate of return on sales calculated by dividing the profit by the volume of sales

EBITDA margin – operating profit plus depreciation and amortization to total revenue

EBIT margin – ratio of EBIT calculated for a period and the revenue from the sales of the period

gross margin – ratio of gross profit (before taxes) and net sales

net margin – ratio of net profit and net sales

return on assets (ROA) – ratio of a company's net profit to the value of its assets

return on equity (ROE) – ratio of net profit to equity

debt ratio – ratio of total liabilities to total assets

debt to equity ratio – ratio of total liabilities to equity

non-current assets to equity ratio – ratio of the sum of equity, non-current liabilities, non-current accruals and non-current assets

current debt ratio - ratio of current debt to total assets

non-current debt ratio – ratio of non-current liabilities to equity

current liquidity ratio – ratio of current assets and current liabilities

quick liquidity ratio – define a company's ability to meet its short-term obligations with its most liquid assets



The LW Bogdanka Group in numbers	2	3. Financial standing	45-56
Letter of the President of the Management Board	3	<u>Production, sales and inventories of coal</u>	46
1. Summary of operational activities	4-7	<u>Revenue and key customers</u>	47-48
<u>Selected financial data and key operating data</u>	5	<u>Suppliers of the LW Bogdanka Group</u>	48
<u>Key events in 2015</u>	6-7	<u>Provisions at the LW Bogdanka Group</u>	48-49
2. Organisation and business activities of the LW Bogdanka Group	8-46	<u>Selected financial data of the LW Bogdanka Group</u>	50-51
<u>Structure of the Group</u>	9	<u>Impact of the non-recurring event (impairment loss of assets) on the Group's results</u>	52
<u>Name and registered office of the Parent</u>	10	<u>Balance sheet and cash flow</u>	53-54
<u>Activities of the LW Bogdanka Group</u>	11-12	<u>Economic ratios</u>	55-56
<u>Production potential of the LW Bogdanka Group</u>	13	4. Shares and shareholding	57-63
<u>Vision, Mission and Market Position of the LW Bogdanka Group</u>	14	<u>Share capital structure and shareholding</u>	58
<u>Development Strategy of the LW Bogdanka Group</u>	15	<u>Ownership changes in the LW Bogdanka Group in 2015</u>	59
<u>Investment projects</u>	16-18	<u>Dividend policy</u>	60
<u>Information on significant agreements</u>	19	<u>Price performance of the shares of LW Bogdanka S.A. on the Warsaw Stock Exchange</u>	61
<u>Agreements concluded</u>	20-22	<u>Investor relations</u>	62
<u>Business environment – international market</u>	23	<u>Analysts' recommendations</u>	63
<u>Business environment – domestic market</u>	24-27	5. Governing Bodies	64-70
<u>Risk management</u>	28-35	<u>Management Board</u>	65-66
<u>Natural environment</u>	36-38	<u>Supervisory Board</u>	67-68
<u>Workforce</u>	39-40	<u>Rules of appointment and remuneration; salary levels</u>	69-70
<u>Average monthly remuneration</u>	41	6. Corporate governance	71-87
<u>The Group's marketing activities in 2015</u>	42-43	<u>Statement on application of corporate governance</u>	72-82
<u>Court proceedings</u>	43	<u>CSR</u>	83-87
<u>Information on the auditor responsible for auditing the report</u>	44	Glossary	88-92



SIGNATURES OF MANAGEMENT BOARD MEMBERS

Zbigniew Stopa	President of the Management Board
Waldemar Bernaciak	Vice-President of the Management Board, Economic and Financial Affairs
Piotr Janicki	Vice-President of the Management Board, Trade and Logistics
Jakub Stęchły	Vice-President of the Management Board, Procurement and Investments

Bogdanka, 17 March 2016



Thank you!