Directors' Report on Operations of the Lubelski Węgiel Bogdanka Group in Q1 2016

Bogdanka, 16 May 2016

13.2%

Share in the hard coal market in Poland

15.8%

Share in the thermal coal market in Poland

25.5%

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

-1.8%
REVENUE

+63.8%
EBIT

+23.1%
LENGTH OF EXCAVATIONS MADE

+20.0%
EBITDA

+66.6%
NET PROFIT

+12.2%
COAL SALES (AMOUNT)

+17.3%
NET PRODUCTION

Change 1Q 2016/ 1Q 2015

1. Summary of operational activities

SUMMARY OF OPERATIONAL ACTIVITIES

A detailed index of issues contained in this Report can be found on page 39.

The LW Bogdanka Group achieved good financial and operating results, because it was able to ensure the optimal use of its production capacity on the difficult market in Q1 2016.

In Q1 2016, the LW Bogdanka Group generated:

- net revenue of **PLN 420.6 million** – **decrease by 1.8% y/y**
- EBITDA of **PLN 173.3 million** – **increase by 20.0% y/y**
- net profit of **PLN 54.4 million** – **increase by 66.6% y/y**

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

+	−
• reduction of personnel costs as a result of downsizing in 2015 • keeping the basis of average monthly remuneration at the 2013 level • implementation of a cost optimisation policy	• coal sales level slightly below the production level • continued difficult situation on the coal market • further cuts in the prices of thermal coal • maximum use of coal dump

LW Bogdanka was consistently pursuing its cost optimisation policy, which in Q1 2016 allowed it to reduce its own cost of sold production **by more than PLN 39.3 million** in comparison to 1Q 2015.

The LW Bogdanka Group improved **the ratio of net debt/EBITDA** from the level of **0.7 to the level of 0.5**, which is related to the optimisation of investment expenditure commenced in 2015.

In the previous quarter in comparison to the same period of 2015, LW Bogdanka S.A. increased the extraction of thermal coal **to 2.3 million tonnes of coal**. The reason was to adjust the production to the sales opportunities of the Parent.

KEY EVENTS IN THE FIRST QUARTER OF 2016

Changes in the Supervisory Board of LW Bogdanka S.A.

At the Extraordinary General Shareholders Meeting held on 23 February 2016, Krzysztof Matan and Bartosz Krysta were dismissed from their positions as Supervisory Board Members.

New Members were appointed: Szymon Jankowski, Mirosław Kowalik, Przemysław Krasadomski, and Wiesław Piosik. Therefore, as of 23 February 2016, the Supervisory Board has been composed of the following six Members:

- Szymon Jankowski
- Magdalena Kaczmarek
- Mirosław Kowalik
- Przemysław Krasadomski
- Wiesław Piosik
- Michał Stopyra.

Conclusion of an annual agreement between the Parent and Enea Wytwarzanie sp. z o.o.

On 3 March 2016, LW Bogdanka S.A. signed a memorandum of understanding with ENEA Wytwarzanie sp. z o.o. regarding the Long-Term Agreement in the form of an annual agreement for the supply of thermal coal in 2016.

The above-mentioned agreement specifies the terms and conditions of supplies in 2016 (quantitative volumes and prices) to the power plant of Enea Wytwarzanie sp. z o.o. in Kozienice.

The court judgment concerning the licence application for the K-6 and K-7 deposit and further steps to obtain a licence for the “Ostrów” and “Orzechów” deposits.

On 16 March 2016, the Provincial Administrative Court in Warsaw dismissed the complaint filed by LW Bogdanka SA against the decision of the Minister of Environment of 5 November 2014 to uphold the decision, appealed by the Company, of the Minister of Environment of 5 September 2014 on refusal to grant the Company a hard coal mining licence for the “Lublin Coal Basin – K-6 and K-7 area.”

The Company has requested a written justification from the Provincial Administrative Court and intends to file an appeal with the Supreme Administrative Court. Irrespective of its efforts to obtain the mining licence for the “K-6 and K-7” area, LW Bogdanka S.A. continues its efforts to ensure its further development in the northern direction. To this end, it is preparing the licensing documentation for mining operations in the “Ostrów” and “Orzechów” areas, for which it has exploration licences. The Company considers the northern direction as its priority because of great parameters of those deposits. At present, the exploitable resources should ensure the mine’s life until about 2034 and the Company wants to double them before 2020.

Changes in the Management Board of LW Bogdanka S.A.

On 24 March 2016, the Company’s Supervisory Board adopted resolutions under which the following persons were dismissed from their positions as Management Board Members effective from 31 March 2016:

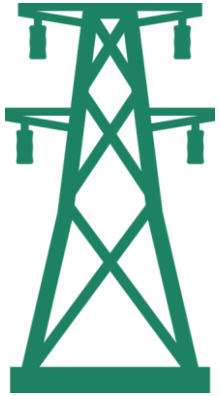
- Zbigniew Stopa, President of the Management Board
- Waldemar Bernaciak, Vice-President of the Management Board, Trade and Logistics
- Piotr Janicki, Vice-President of the Management Board, Economic and Financial Affairs
- Jakub Stęchły, Vice-President of the Management Board, Procurement and Investments

and the following persons were appointed to the Management Board effective from 1 April 2016:

- Krzysztof Szlaga as President of the Management Board
- Stanisław Misterek as Vice-President of the Management Board, Economic and Financial Affairs
- Adam Partyka as Vice-President of the Management Board, Employee and Social Affairs

Amendments to the Articles of Association of LW Bogdanka S.A.

On 12 April 2016, the Extraordinary General Shareholders Meeting adopted a resolution on amendments to the Company’s Articles of Association. The amendments concern the Company’s objectives and obligations of the Management Board, as well as the remuneration and term of office of the Parent’s Supervisory Board.



2. Organisation and business activities of the LW Bogdanka Group

THE LUBELSKI WĘGIEL BOGDANKA GROUP

% of votes at the General Shareholders Meeting in Subsidiaries

- 88.7% — **Łęczyńska Energetyka sp. z o.o.**
- 100% — **EkoTrans Bogdanka sp. z o.o.**
- 100% — **RG Bogdanka sp. z o.o.**
- 100% — **MR Bogdanka sp. z o.o.**

Company name	Parent's share in the share capital 31 Dec. 2015	Parent's share in the share capital 16 May 2016	Share capital	Main activity
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 S.A. 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 financial settlements for the provision of transport services. That company has not been included in the consolidation.

Changes in the structure of the LW Bogdanka Group

In Q1 2016 there were no changes in the structure of the LW Bogdanka Group or the Group's organisational and capital relations to other entities. In the period in question there were no changes to the structure of the LW Bogdanka Group that would result from merger of business entities, acquisition or sale of the Group's undertakings, long-term investments, division, restructuring or discontinuation of activities.

Basic information and development strategy of LW Bogdanka S.A.

Lubelski Węgiel Bogdanka Spółka Akcyjna

Address:	Bogdanka, 21-013 Puchaczów, Lublin province
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.

Development Strategy of the Parent

As a result of the difficult market situation affecting the Company, various activities have been carried out to enable it to adapt to the rapidly changing environment. As the sales opportunities are limited, it is the output level that must be accordingly adjusted.

The Management Board’s assessment is that the sales capability, which influences the production level, is likely to fluctuate in the range of about 8.5 million tons over the next few years, i.e. significantly below the current capacity of the mining plant, which exceeds 10.5 million tons.

Because of the sales reduction and instable coal prices, the Company has assumed as its primary goal that it will continue the policy aimed at ensuring long-term financial liquidity – under which the Company is to:

- optimise the production plan
- reduce outsourced services and capital expenditures, the latter mainly by cutting back the plans of construction of new headings (in accordance with the new production assumptions for 2016-2017)
- keep the basis of the average monthly remuneration at the 2013 level at least until the end of 2016
- trim down third party services.

As per the business plan for 2016, the planned capital expenditures of the Company will not exceed PLN 437.9 million.

This level of investments will ensure the achievement of the adopted goals, which mainly include:

- maintain the production capacity at the assumed level
- implement the project to double the resources and extend the life of the mine beyond 2050, by obtaining licences and developing new prospective areas (to increase operationally usable resources)
- reinforce the Company as the main supplier of coal, especially for commercial power plants – to keep the existing share in sales of power coal in Poland in 2016
- keep the leader’s position in the mining sector in terms of productivity.

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 production plan. At the same time, the Company is working on acquiring contracts with small and medium customers in Poland, and is also seeking to acquire larger contracts 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 strategy of the new majority shareholder (Enea S.A.).

Projects completed in Q1 2016

The plan for Q1 2016 covered the following: development investments, including the purchase of machines and equipment, and operational investments, including the use and upgrade of excavations in all mining fields, as well as upgrades and repairs of machines and equipment.

New licences

A comprehensive environmental report for the "Ostrów" area was prepared, and geological information for that deposit was revalued. Moreover, the mining contract was amended, and drillings of the OS-4 and OS-4 bis holes in the "Ostrów" area have commenced.

Machine and equipment maintenance

Purchase of finished goods – purchases in Q1 2016 included: finished transport equipment, pumps and hydraulic units, electrical equipment (electrical devices, blasting equipment), other finished equipment (welders, rotating cameras, telephone switchboard, spectrophotometer, room measurement set, tools other than fixed assets, equipment for hydrant hose drying and pressure testing, and computer hardware and software).

Other development and replacement investments

Central air conditioning of the Bogdanka Field – various equipment was installed in the underground part, e.g. cooling devices, pump systems and pump control systems, and the watertightness tests were completed for the shaft pipelines. It is currently undergoing trials.

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 in all mining fields. The 110/6 kV GSTR substation in Bogdanka was completed.

Capital expenditure for excavations in Q1 2016

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	5,595			
Basic excavations	Straight-line	829	20,962	65,757	44,795
Reconstructions	Straight-line/natural	373			

Over the period of 3 months of 2016, 6,441m of roadway excavations were made. Reconstruction of the excavations were continued in accordance with the schedules. Total expenditure on roadway excavation reconstruction in that period amounted to PLN 8,821,000. The expenditure to build new and to upgrade existing excavations totalled PLN 44,795,000.

Selected capital expenditure at the LW Bogdanka Group

[PLN '000]	PTE 2016	Actual Q1 2016	Actual Q1 2016 [%]
Obtaining new licences*	45,384	439	1.0%
Machines and equipment maintenance	62,655	3,093	4.9%
Other development and replacement investments	68,700	12,327	17.9%
New excavations and upgrades of existing ones	254,978	44,795	17.6%
TOTAL CAPEX in LW Bogdanka S.A.	**431,717**	**60,654**	**14.0%**
Łęczyńska Energetyka sp. z o.o.	6,200	124	2.0%
Other Subsidiaries	-	-	-
TOTAL CAPEX in the LW Bogdanka Group**	**437,917**	**60,778**	**13.9%**

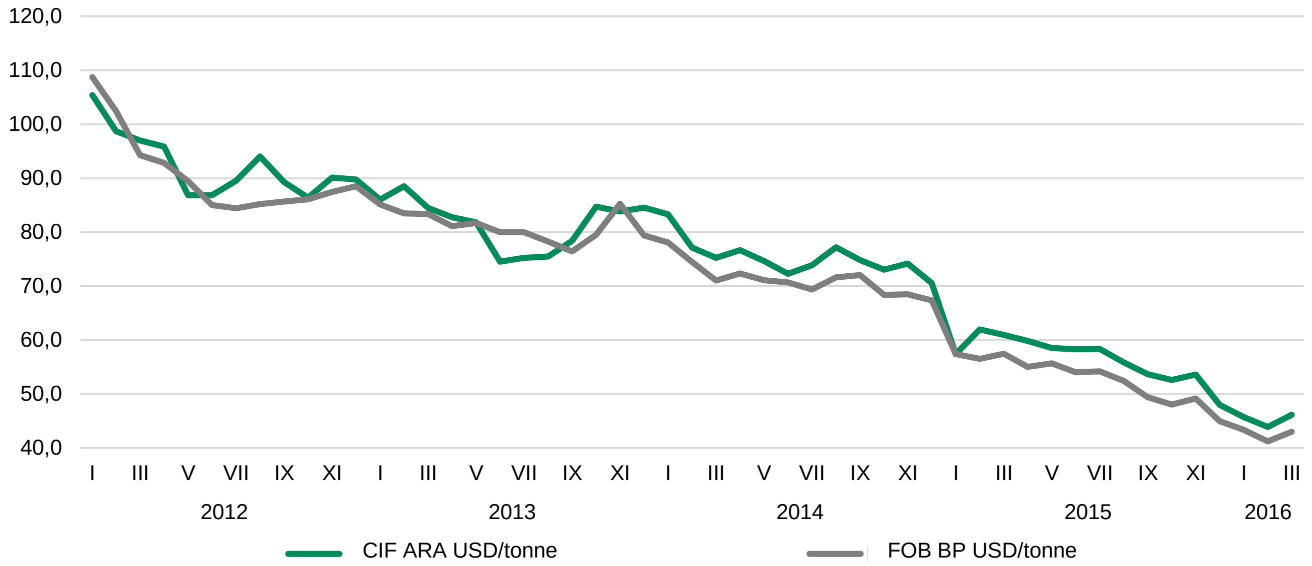
*plan for 2016 includes the full value of a fee for the use of geological information, which is payable in ten annual instalments. Total value of the geological information is PLN 28 million.

**sum of capital expenditure does not include capitalised costs of external financing

Decline in thermal coal prices

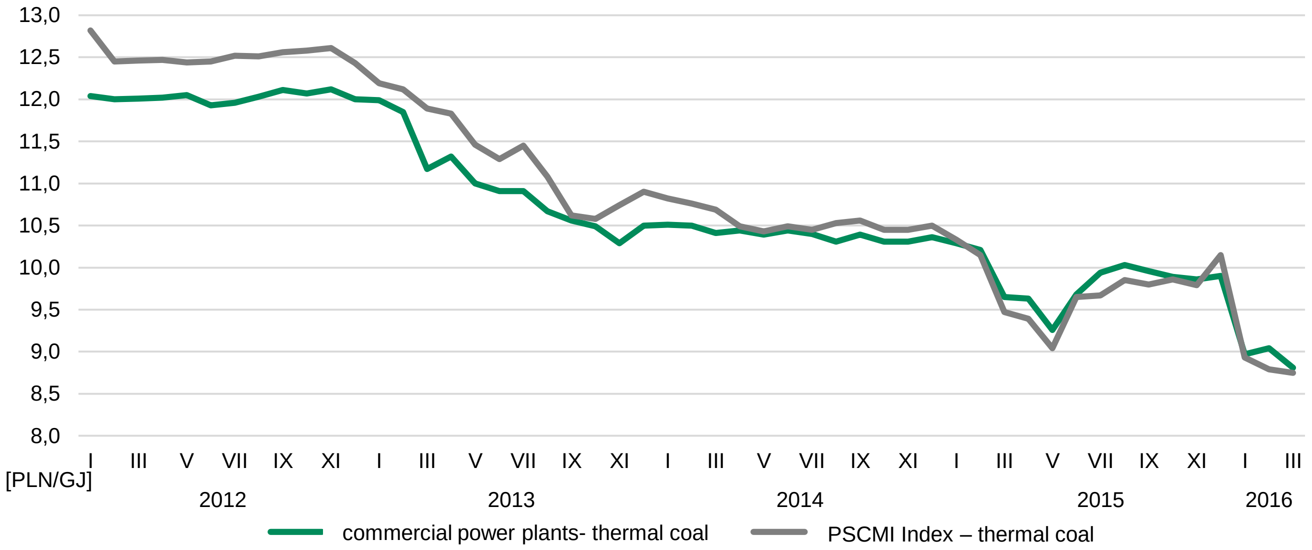
Thermal coal price decline in international market between January 2012 and end of Q1 2016

- The average annual coal price (CIF ARA) was about USD 46 per tonne in Q1 2016
- As at the end of 2015, the coal inventories in ARA ports totalled about 5.9 million tonnes, i.e. increase by about 700,000 tonnes year on year
- Share of coal in electricity 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 about 3.8% year on year
- By about 2020 China want to cut coal production by 500 million tonnes, i.e. about 13.6%



Decline in fine thermal coal prices and PSCMI index in Poland's market between January 2012 and end of Q1 2016

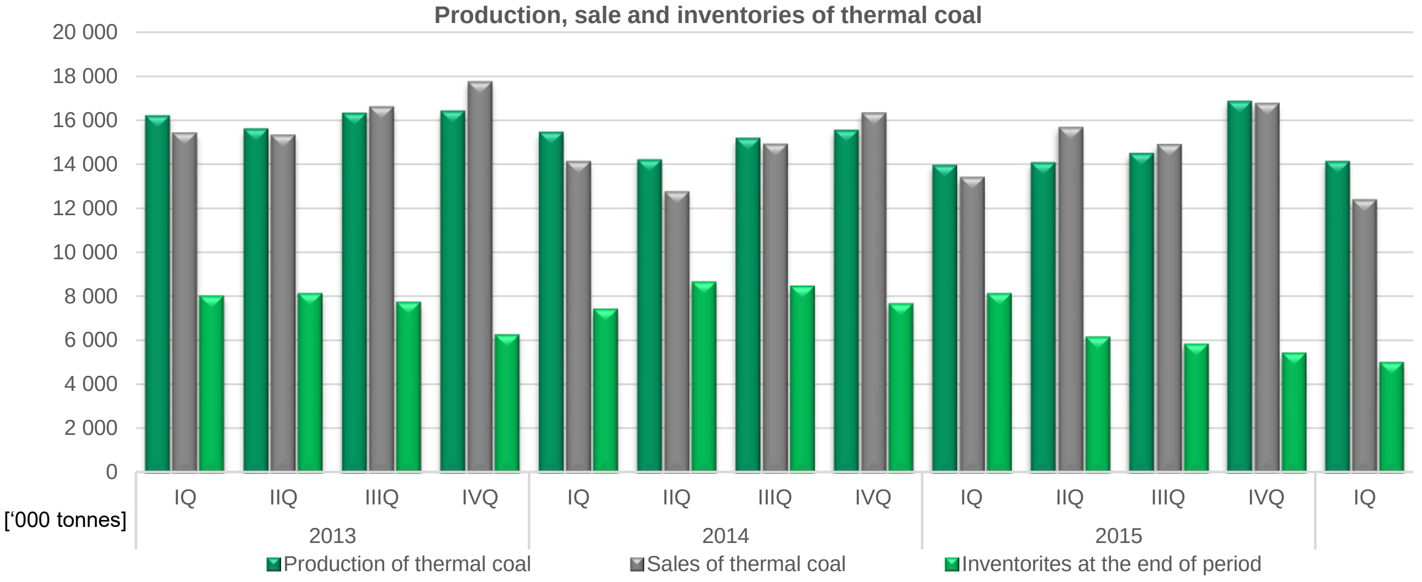
- In Q1 2016 the average price of fine thermal coal for commercial power plants was PLN 8.94 per GJ
- The price trend shows a decline of about 10.9% quarter on quarter
- Average heating value of fine coal for commercial power plants is about 21.4 GJ / tonne
- Price of fine coal for commercial power plants declined by about 26.8% between January 2012 and March 2016
- In Q1 2016 the average price based on the PSCMI index was about PLN 8.82 per GJ
- Decline was about 9.5% versus the Q4 2015 average price



Production, sales and inventories of thermal coal at the end of Q1 2016 in the domestic market

Situation in Poland:

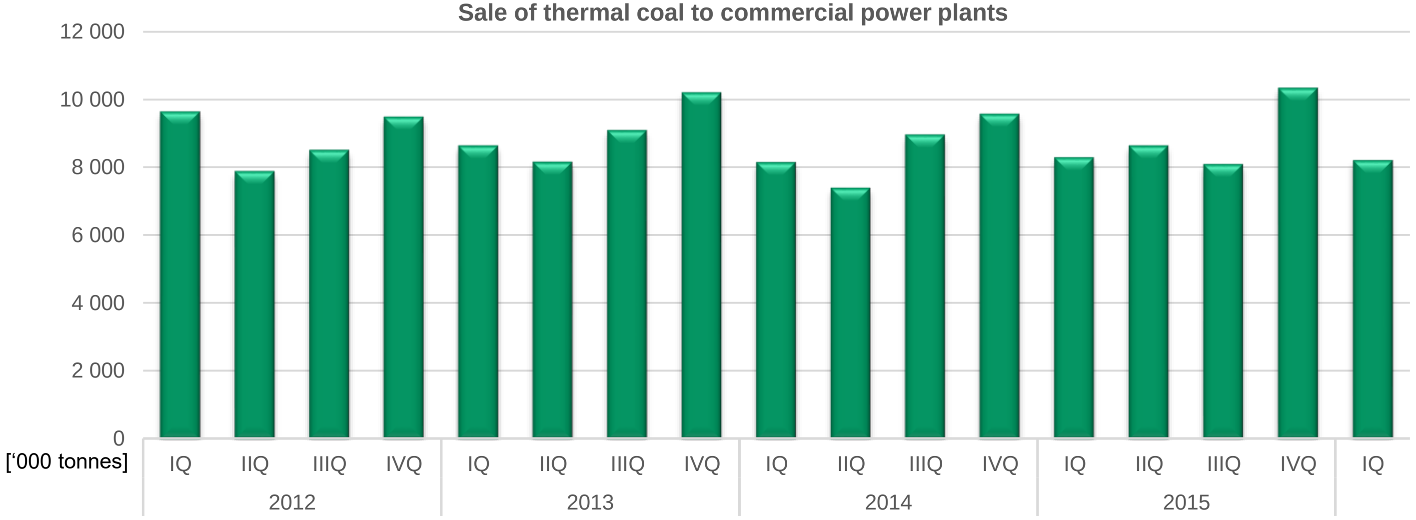
- In Q1 2016, the production of thermal coal amounted to about 14.1 million tonnes, i.e. an increase of 0.6 million tonnes versus the same period of 2015.
- Cumulatively, in the period January – March 2016, almost 12.4 million tonnes of thermal coal was sold, including nearly 8.2 million tonnes for the purposes of commercial power plants. In comparison to 2015, the sales of thermal coal in that period was higher by about 0.6 million tonnes.
- Sales in 2015 amounted to about 60.6 million tonnes, including about 34.2 million tonnes of thermal fine coal acquired by the Commercial Power Plants.
- The level of coal inventories at the end of March 2016 totalled almost 5.0 million tonnes. Inventories fell by about 3.0 million tonnes in comparison to the level since the end of Q1 2015; whereas since the beginning of 2016, the decline is about 0.5 million tonnes.



Commercial Power Plants are the main recipients of thermal coal in Poland. They include the following:

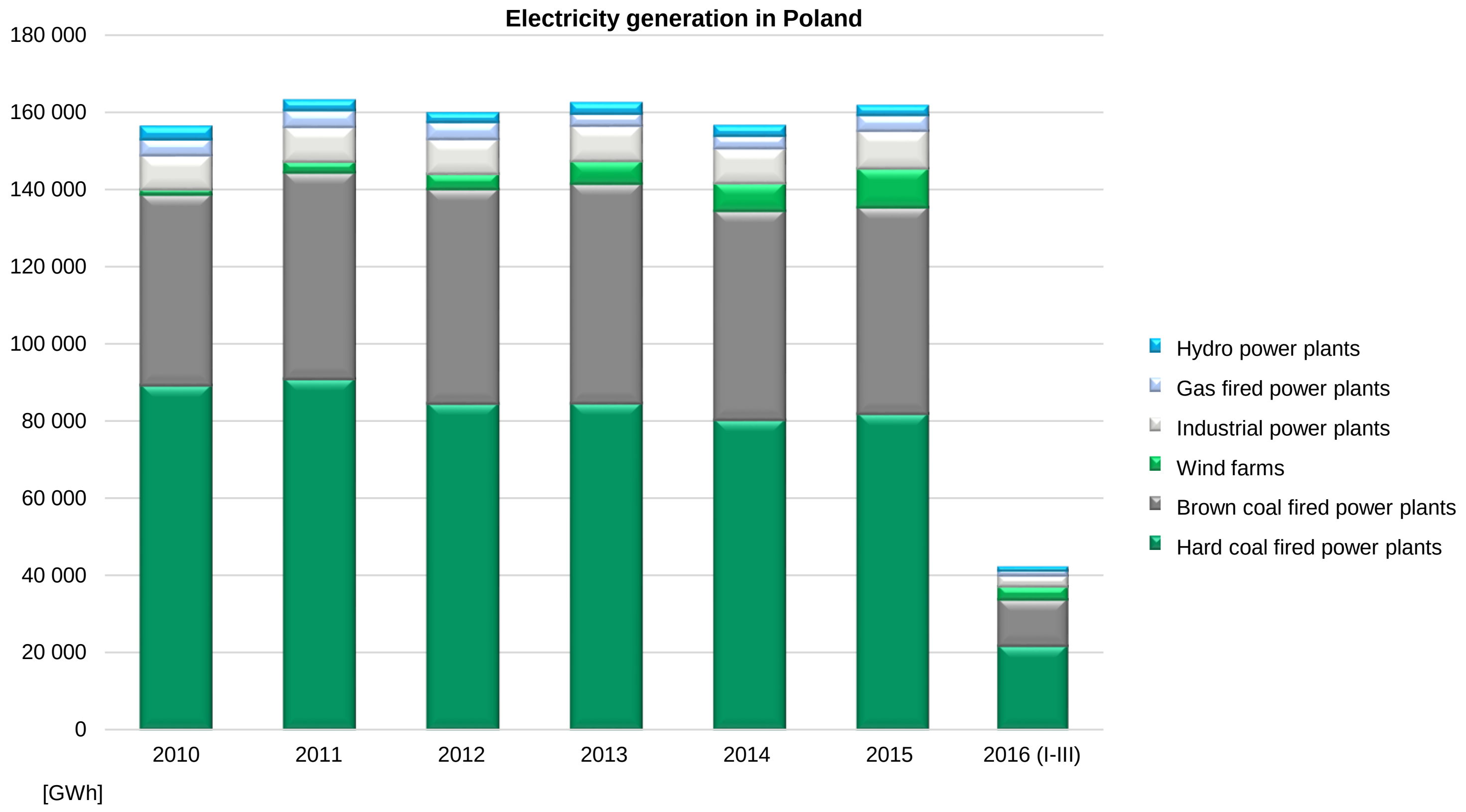
- EDF
- Enea
- ENGIE
- PGE
- PGNiG
- Tauron

Sources: ARP, ARE, www.pse.pl, www.tge.pl, own sources



Electricity generation in Poland

- In Q1 2016, electricity generation totalled about 42,631 GWh, which represents an increase of 873 GWh compared to the same period of 2015;
- Hard coal was used to generate about 21,646 GWh, i.e. nearly 51% of total electricity output in Poland;
- In Q1 2016, hard coal was used to produce about 1% more electricity than in Q1 2015.



sources: ARP, ARE, www.pse.pl, www.tge.pl, company materials

Description of factors which, in the assessment of LW Bogdanka S.A., will affect the results achieved by the Company and its Group in the perspective of at least the following quarter

A full description of risks connected with the Company's operations can be found in the Report for 2015. Below please find risk factors which the Company sees as the most important risk factors in the perspective of the following (second) quarter.

Risk factors 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 engineering sector have a significant influence on the market position of LW Bogdanka S.A.

A restructuring plan for Kompania Węglowa S.A. as adopted by the government entails great uncertainty as 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 LW Bogdanka's market standing.

On 26 April 2016, representatives of mining and power companies as well as banks and financial institutions signed an agreement on the establishment of Polska Grupa Górnicza (PGG – Polish Mining Group). The agreement was also signed by 13 trade unions from Kompania Węglowa.

The following signatories have committed themselves to invest in PGG: Energa Kogeneracja (PLN 500 million), PGE Górnictwo i Energetyka Konwencjonalna (PLN 500 million), PGNiG Termika (PLN 500 million), FIPP FIZAN (PLN 300 million), TFS (PLN 400 million) and Węglokoks (PLN 217 million, in addition to PLN 500 million of previous expenditures). To refinance the existing bond program of Kompania Węglowa, the banks and Węglokoks have declared to buy the new bonds which are to be issued by PGG for PLN 1,037 million in three instalments, to be repaid over 2019-2026. Węglokoks' commitment will reach PLN 421.5 million, while the banks are to invest PLN 615.5 million.

According to the press, the signatories underline that their participation in PGG will give its shareholders from the power sector access to coal resources which meet the needs of both existing and planned power generation units. Such capital links can, thus, be a harbinger of a possible decline in the demand for coal from the domestic buyers that are involved in the project.

A key condition of the establishment of PGG and the investors' involvement in the project was the agreement signed with the trade unions on 19 April 2016, which has determined the rights of the social partners. It assumes the implementation of the PGG business plan and, in consequence, an improvement in the effectiveness of the mines by establishment of integrated mines and a temporary suspension of some employee benefits. The integrated mines will emerge after the amalgamation of the Bielszowice, Halemba and Pokój mines and, a separate business organisation, of the Piast and Ziemowit mines. The Rybnik-area mines are also to be integrated, i.e. Chwałowice, Jankowice, Marcel and Rydułtowy. Bolesław Śmiały and Sośnica will operate as independent mines.

A project recommended by Polski Holding Węglowy to integrate Katowicki Holding Węglowy with Węglokoks Kraj is at the analysis stage. As assured by the Ministry of Energy, LW Bogdanka SA will not be directly involved in that project, which, however, may be joined by Enea SA, the majority shareholder of Bogdanka.

At this stage it is difficult to predict whether or not the establishment of PGG will change the situation of Poland's hard coal mining sector to any greater extent and, especially, if the problem of coal oversupply will be solved. There is a risk of continued underperformance of the largest hard coal manufacturer and, as a result, the possibility of the prolonged sell-off of underpriced coal to keep the mines liquid, provided that the problems connected with high production costs are solved.

Risk factors 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, including in particular 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, are of key significance for the activities conducted by the Group, and especially by LW Bogdanka S.A. Increases in unsold coal inventories faced by both global and domestic producers due to a decrease in demand for coal (as a result of such factors as an economic slow-down in China), 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 domestic market, which may affect the financial results of the Group.

The Group, and LW BOGDANKA especially, limits the risk associated with the levels of prices of raw materials for power production by controlling prices and entering into long-term trade agreements with main recipients of thermal coal. The impact on domestic coal prices will also depend on the execution of restructuring options in the Silesia region.

Key customer risk factors

Vast majority of 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 a possible reduction or termination of cooperation with a key customer, or a deterioration of an economic and financial situation of any of the key customers of the Group could have an adverse effect on financial results.

With respect to operations of LW Bogdanka S.A., the Group manages the risks of long-term contracts on the basis of analyses and forecasts which monitor the situation in the market segment of coal supplies to the power sector and within the framework of cooperation with leading market research organisations which analyse the energy fuel market and with some top law firms. The risks of long-term contracts are managed with an aim to reduce the impact of the risk of an adverse trend of power coal prices by applying an appropriate structure of contracts to ensure stable supplies to commercial power plants.

There is also a risk that the investments in Poland's power sector will support alternate energy sources (nuclear power, natural gas, shale gas or renewable energy sources). The Company minimises such risk by approaching prospective new buyers who would diversify its target customer portfolio.

Key customer risk (i.e. the risk of loss of key customers) may increase depending on the restructuring strategy which will be ultimately adopted by the Government for the Silesian mines and on attempts, if any, to ensure that the Silesian coal is sold (more details in the section: Risk associated with the economic policy of the State in relation to the hard coal mining sector). If the market regains its equilibrium this risk will be considerably lower as LW Bogdanka has the lowest-in-the-sector unit cost of excavation and, as a result, it can always offer competitive coal prices.

Description of factors which, in the assessment of LW Bogdanka S.A., will affect the results achieved by the Company and its Group in the perspective of at least the following quarter

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

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

In the case that the projects to acquire or operate new deposits are discontinued or unforeseen official or legal obstacles emerge during the preparations for the exploitation of a deposit, the mining capacity could be reduced, which in turn may shorten the life of the mining plant and/or reduce the assumed level of hard coal extraction and, in consequence, the future financial results. At the moment, the Company is undertaking activities to obtain new licences with an aim to double its resources and to secure a coal base for extraction in the years after the “Puchaczów V” deposits are exhausted (which is expected to happen about the year 2034).

Recently, the deposits of the Lublin Coal Basin have aroused interest among both Polish (e.g. Kompania Węglowa S.A.) and foreign companies (e.g. PD Co, a member of the group established around Prairie Downs Metals (Australia)). Some of them have already obtained exploration and prospecting licences which cover areas adjacent to the mining area of the Company. These works can result in those entities applying for mining licences in a few years. The Company has a competitive advantage over those prospective competitors as it has a well develop technical infrastructure required to continue its operations and the unique knowledge required for exploitation in the mining and geological conditions of the Lublin Coal Basin.

In June 2014, the Company was granted a mining licence for the K-3 area (south of the existing “Puchaczów V” area) and a prospecting licence for the “Ostrów” area (north of the existing “Puchaczów V” area). In October 2014, the Company was granted a prospecting licence for the “Orzechów” area. In September 2014, the Company was refused a mining licence for the K-6 and K-7 areas, where a prospecting licence is held by another company (i.e. PD Co). The request for re-examination of the case, filed by the Company, was also dismissed. The Company is continuing its activities to receive mining licences for the K-6 and K-7 areas (it has filed an appeal with the Supreme Administrative Court) and for the “Ostrów” area and, over a longer time horizon, for the “Orzechów” area.

Technical and technological risk factors

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). There is a risk that unplanned stoppages resulting from serious malfunctions can impact the production output and, in consequence, the future financial results of the Group. However, the Group wants to emphasise that the risk of stoppages of hard coal excavation operations is minimised as the mine runs its excavation activities in the longwall system from, at present, 3 or 4 active wall faces. Additionally one wall face is being re-equipped. The Company is running extensive research and development activities to increase its efficiency by implementing highly reliable technologies and systems and to improve work safety. Those projects have significantly reduced its technical and technological risk.

This groups of risks also includes a risk of unexpected, usually local, deterioration of the quality of a deposit, e.g. resulting from a decrease in the deposit thickness or the occurrence of waste rock interlayers or seam folding, which will result in a lower quality of coal (higher rock content). In this case, despite achieving the planned coal output and incurring increased mining costs (as a result of difficulties to excavate the rock, higher wear and tear of equipment and transport means, higher rock processing and storage costs, etc.), the volume of commercially-usable coal will decrease, with a resultant adverse impact on financial performance.

Risk factors associated with the strong position of the trade unions in the Group

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 about 64% of the Group’s employees (there are four trade union organisations at LW Bogdanka associating 69% 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 remuneration 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 operating at the Group could affect the operating activities of the LW Bogdanka Group.

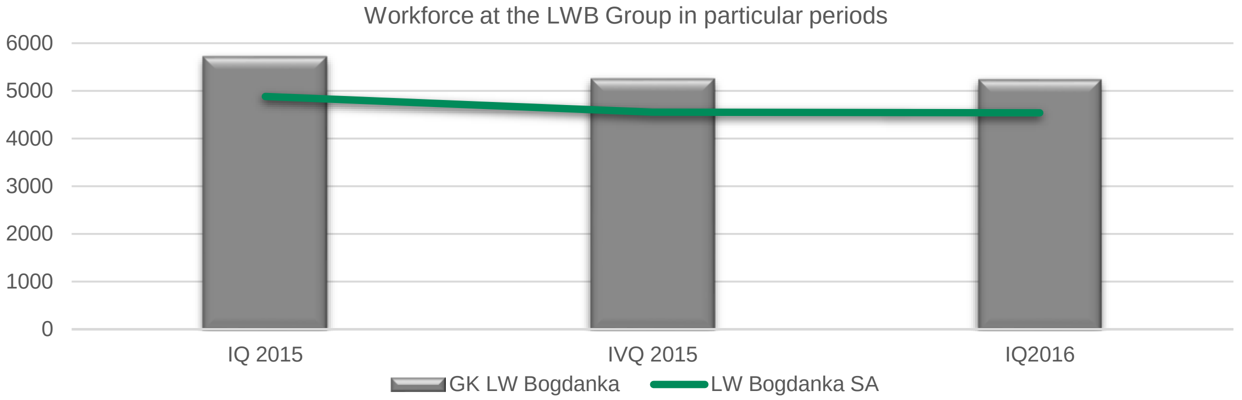
Workforce changes

Workforce of the Group

In Q1 2016, the headcount of the LW Bogdanka Group declined by 19.8 full-time equivalents (FTEs), i.e. 0.4%, as compared to year-end 2015 and by 481.8 FTEs, i.e. 8.5%, versus the end of Q1 2015. This reduction mainly resulted from the necessity to adjust the workforce to the current production needs of the Parent.

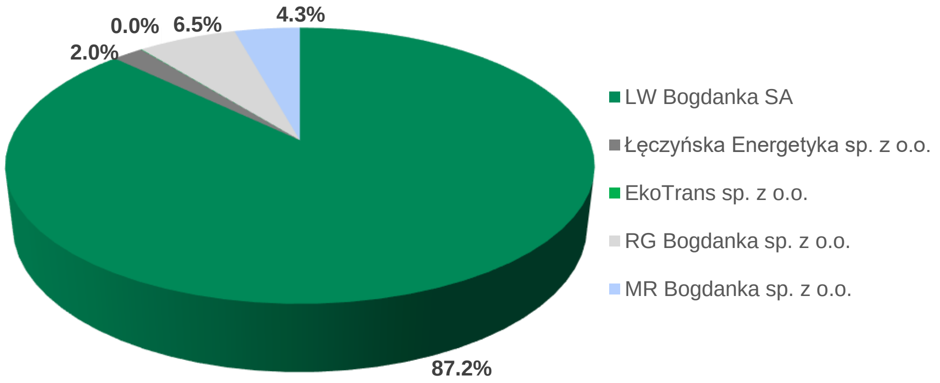
Workforce of the Parent

In Q1 2016, LW Bogdanka S.A. hired 36 employees transferred from its subsidiaries. At the same time, 51 employees left the Company.



Workforce	31 Mar. 2015	31 Dec. 2015	31 Mar. 2016	Workforce structure at the Group	Change Q1 2016/ Q1 2015	Change Q1 2016/ Q4 2015
Workforce at the Group calculated per full-time employees						
Workers in total	4,221.0	3,927.0	3,909.0	-	-7.4%	-0.5%
Underground workers	3,245.0	2,981.0	2,966.0	-	-8.6%	-0.5%
Surface workers	976.0	946.0	943.0	-	-3.4%	-0.3%
Permanent employees underground	342.0	314.0	317.0	-	-7.3%	1.0%
Permanent employees on the surface	317.6	313.6	313.6	-	-1.3%	0.0%
Total underground	3,587.0	3,295.0	3,283.0	-	-8.5%	-0.4%
LW Bogdanka S.A. in total	**4,880.6**	**4,554.6**	**4,539.6**	**87.2%**	**-7.0%**	**-0.3%**
RG Bogdanka sp. z o.o.	469.5	338.5	339.0	6.5%	-27.8%	0.1%
MR Bogdanka sp. z o.o.	225.5	227.5	225.2	4.3%	-0.1%	-1.0%
EkoTrans Bogdanka sp. z o.o.	2.0	2.0	2.0	0.0%	0.0%	0.0%
Łęczyńska Energetyka sp. z o.o.	112.5	105.5	102.5	2.0%	-8.9%	-2.8%
The LW Bogdanka Group	**5,690.1**	**5,228.1**	**5,208.3**	**100.0%**	**-8.5%**	**-0.4%**

Workforce structure at the Group broken down into companies



3. Financial standing

Production, sale 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, i.e. oversupply of coal, constant pricing pressure from customers, and sales of coal at understated prices, forces the Parent to take various measures in order to keep financial liquidity at a safe level.

The LW Bogdanka Group monitors on an ongoing basis the level of costs, ratios and the value 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 at the Parent to optimise the mining process and a cost reduction (decrease in the coal extraction unit cost). The planned extraction and sale of commercial coal is under analysis on an on-going basis in order to take into account existing and future market risks (decline in demand for thermal coal and in its price). Works related to making new excavations available are conducted in such a manner, so continuity of mining is ensured. Global and domestic 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 first quarter of 2016, the production of commercial coal in the Parent increased by 17.3% compared to the same period of 2015 and amounted to 2,335,000 tonnes.

Production of commercial coal by the Parent.

['000 tonnes]	Q1 2015	Q1 2016	Change	Change %
Production of commercial coal	1,990	2,335	345	17.3%

Structure of commercial coal production by the Parent

[%]	Q1 2015	Q1 2016
Fine coal	98.8%	99.3%
Nut coal	0.2%	0.2%
Pea coal	1.0%	0.5%
Total	100.0%	100.0%

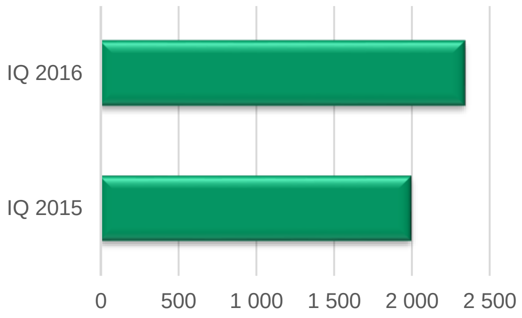
In analysed periods the structure of production did not change significantly – thermal fine coal remained the dominant assortment (its share in the production was in the range of approx. 99%).

In Q1 2016, the sales of coal grew by 12.2% compared to Q1 2015. In the period from January to March 2016, the sales of commercial coal amounted to 2,184,000 tonnes, while in the same period of 2015 - 1,946,000 tonnes.

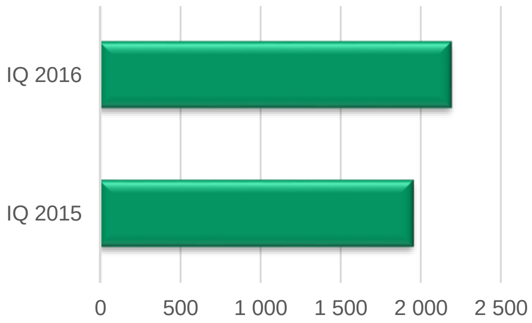
Commercial coal sales at the Parent.

['000 tonnes]	Q1 2015	Q1 2016	Change	Change %
Sale of commercial coal	1,946	2,184	238	12.2%

Coal extraction ('000 tonnes)



Sale of coal ('000 tonnes)



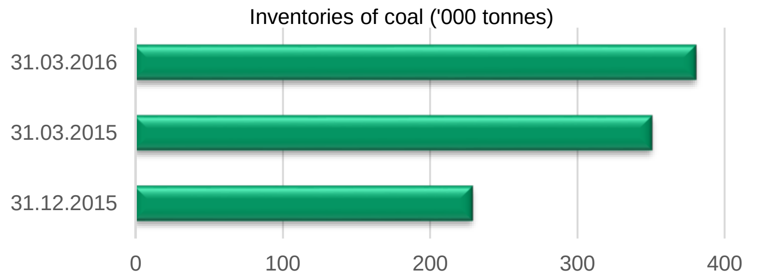
As at the end of Q1 2016, the inventories of coal at the Parent amounted to 380,000 tonnes which means an increase by 152,000 tonnes, i.e. by 66.7%, compared to 31 December 2015. The level of coal inventories as presented for the end of Q1 2016 corresponds to approx. twelve days of commercial coal production (on the basis of an average 3-month daily production).

Inventories of coal

['000 tonnes]	31 Dec. 2015	31 Mar. 2015*	31 Mar. 2016	Change [%] Q1 2016/ Q1 2015	Change [%] Q1 2016/ Q4 2015
Inventories of coal	228	350	380	8.6%	66.7%

*The presented level of inventories as at 31 March 2015, took into account a coal deposit (33,000 tonnes) for one of the customers. This deposit was accounted for in total by the Parent (supplied to customers) by the end of 2015.

Revenue and key customers



The information on coal market in Poland is presented in the Directors' Report on Operations of the LW Bogdanka Group for Q1 2016 on pages 11-13.

Revenue and key customers

In Q1 2016, the LW Bogdanka Group generated revenue in the amount of PLN 420,569,000, which represents a decrease by 1.8% compared to Q1 2015.

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 approx. 95-96% of the the LW Bogdanka Group's revenue.

In the condensed quarterly consolidated 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 2016 was adjusted by PLN 20,962,000, while in the same period of the previous year – by PLN 17,455,000.

More than 94% of coal sales (in terms of value) in the period from 1 January 2016 to 31 March 2016 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 2015 to 31 March 2015 the share of the above customers in revenue of the sales of coal was similar.

Dynamics of changes in product range with respect to revenue

[PLN '000]	Q1 2015	Q1 2016	Change	Change %
Sale of coal	406,613	405,020	-1,593	-0.4%
Other operations	18,973	12,358	-6,615	-34.9%
Sale of goods and materials	2,375	3,093	718	30.2%
Sale of ceramics	318	98	-220	-69.2%
Total revenue	**428,279**	**420,569**	**-7,710**	**-1.8%**

In Q1 2016 revenue on other operations (which includes revenue of subsidiaries) were PLN 12,358,000 (2.9% of total revenue), compared to PLN 18,973,000 (4.4% of revenue) in the analogous period of 2015 (-34.9% y/y). A significant share in that group of revenue was held by:

- revenue of Łęczyńska Energetyka on sales of heat energy to external companies,
- 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 on industrial services provided to companies performing works contracted by the Parent.
- revenue on the lease of non-current assets (a second of factors determining the decrease in this group of revenue).

The share of revenue from the sale of goods and materials in Q1 2016 slightly changed compared to Q1 2015 and was 0.7% (change by +30.2 y/y). In the analysed periods of 2016 and 2015, the dominant position in this group of revenue was revenue from the sales of scrap by the Parent, which was the main factor of increase in revenue in this group.

Revenue - structure by product types

[%]	Q1 2015	Q1 2016
Sale of coal	94.9%	96.4%
Other operations	4.4%	2.9%
Sale of goods and materials	0.6%	0.7%
Sale of ceramics	0.1%	0.0%
Total revenue	**100.0%**	**100.0%**

The Group operates primarily in Poland. In the analysed period of 2016 the share of exports in the total revenue was 0.2% (PLN 982,000). This share amounted to 0.6% (PLN 2,560,000) in Q1 2015. In the analysed periods exports referred to mainly the export of coal.

Geographical structure of revenue

[PLN '000]	Q1 2015	Structure	Q1 2016	Structure
Domestic sales	425,719	99.4%	419,587	99.8%
Foreign sales	2,560	0.6%	982	0.2%
Total revenue	**428,279**	**100.0%**	**420,569**	**100.0%**

Costs in LW Bogdanka S.A.

Costs

Costs of LW Bogdanka are presented in as costs by type and costs by function. The records of costs by function cover all outlays related to factors and production means used in the Company's operations. The costs incurred, as in the presented formula, reflect the use of a given means or factor of production (e.g. materials, energy or labour costs) regardless of whether these will be charged to the costs of a given period as related to the product excavated and sold (commercial coal) or whether they have been used by the Company to finance the construction of a given facility (including longwall galleries) at its own and in the future, following the completion and settlement of a given investment task, they will be capitalised and depreciated as non-current assets, constituting depreciation/amortisation costs of the period in question.

Costs by type

Q1

In Q1 2016, LW Bogdanka S.A. incurred costs by type in the amount of PLN 437,187,000 (PLN -1,321,000 y/y), i.e. by 0.3% lower than in Q1 2015. The decrease in costs noted in Q1 2016 compared to Q1 2015 was largely influenced by the reduction amortisation and other costs with a concurrent increase in employee benefits and outsourced services.

The value of depreciation/amortisation went down by 3.2% (to PLN 91,910,000) – depreciation/amortisation of non-current assets decreased (as a result of impairment charges of non-current assets and intangible assets) with a simultaneous increase in activity depreciation (higher extraction y/y).

Total cost of materials and energy consumption went down by 0.8% (PLN -803,000) compared to Q1 2015, and amounted to PLN 105,835,000. In the period under analysis the value of materials used dropped – a detailed analysis of materials groups indicates an increased use of components needed for the construction of the new underground infrastructure (in Q1 2016 6.4 km of galleries were constructed compared to 5.2 km in the previous period which means an increase by 23.1%), with a simultaneous drop of operation parts to machinery and equipment. The value of the purchased energy (understood as a sum of electric energy and heat energy, potable water, industrial water and gas) increased due to a higher use of electric energy (higher extraction) with a lower unit purchase price.

Compared to Q1 2015, the value of outsourced services in Q1 2016 went up from PLN 89,735,000 to PLN 94,153,000 (+4.9%). In the period under analysis, the value of services for works on Saturdays and Sundays increased (in 2016 extraction was performed on Saturdays) as well as auxiliary works, with the concurrent drop in drilling and mining works (smaller scope of works was commissioned to third-party entities).

In 2016, compared to 2015, the value of employee benefits increased by PLN 7,709,000. In Q1 2016 an average employment dropped compared to the same period of 2015, and at the same time in 2016 an annual bonus was paid to the employees (in Q4 2015 a provision was created for this purpose; the provision now has been released).

The value of taxes, fees and charges went up in Q1 2016 to PLN 10,643,000 from PLN 9,683,000 in Q1 2015 – the exploitation fee (in relation to an increased mining) and real property tax were higher.

The value of other costs went down from PLN 15,134,000 (Q1 2015) to PLN 4,013,000 (Q1 2016) – primarily due to property insurance (as the tender for annual insurance of the Company was invalidated, the insurance contribution was paid solely for Q1 2016, while in the same period of 2015 the contribution was paid for the entire year).

Having adjusted costs by type of the change in products and accruals and deferrals, the costs of own work and the costs of goods and materials sold, we obtain own selling cost which for Q1 2016 amounted to PLN 343,713,000. As compared to 2015, it is lower by 10.3% (with a simultaneous y/y increase by 12.2% in the amount of coal sold).

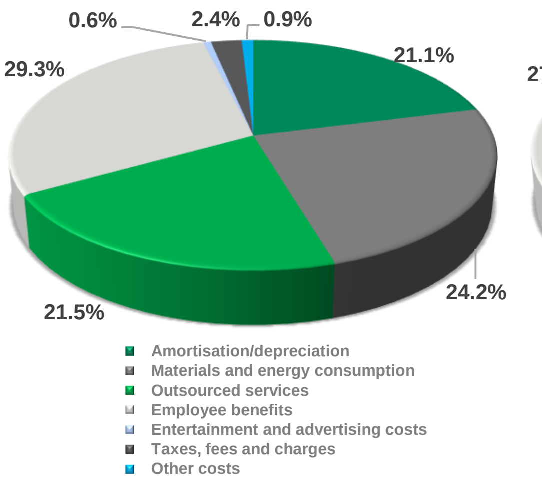
Costs by type

[PLN '000]	Q1 2015	Q1 2016	Change
Net production ['000 tonnes]	1,990	2,335	17.3%
Sales ['000 tonnes]	1,946	2,184	12.2%
Amortisation/depreciation	94,963	91,910	-3.2%
Materials and energy used	106,638	105,835	-0.8%
Outsourced services	89,735	94,153	4.9%
Benefits for employees	120,194	127,903	6.4%
Entertainment and advertising costs	2,161	2,730	26.3%
Taxes and charges	9,683	10,643	9.9%
Other costs	15,134	4,013	-73.5%
Total costs by type	**438,508**	**437,187**	**-0.3%**
Cost of own work	-52,712	-46,868	-11.1%
Accruals and deferrals	3,465	18,104	422.5%
Value of coal from workings	-17,455	-20,962	20.1%
Provisions and other presentation adjustments between costs by type and by function	18,519	-21,928	-218.4%
Total production cost	**390,325**	**365,533**	**-6.4%**
Change in products	-9,612	-24,906	159.1%
Value of goods and materials sold	2,331	3,086	32.4%
Own cost of production sold, including:	**383,044**	**343,713**	**-10.3%**
Costs of products, goods and materials sold	350,511	313,539	-10.5%
Selling cost	9,405	9,851	4.7%
Administrative costs	23,128	20,323	-12.1%

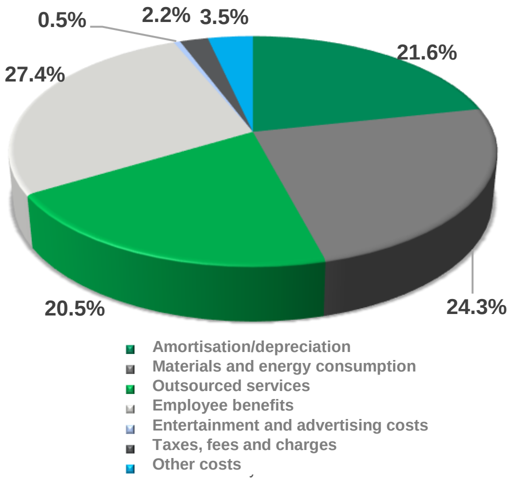
Costs in LW Bogdanka S.A.

The changes presented in the group of costs by type had an impact on the change in the structure thereof. In Q1 2016 (compared to the same period of 2015) the share of employee benefits went up (to 29.4%), the share of outsourced services (to 21.5%) and the entertainment and advertising costs as well as taxes and charges (to 0.6% and 2.4%, respectively). Costs of outsourced services, materials and energy used and employee benefits accounted for ca. 75% of costs between 1 January 2016 and 31 March 2016, while in the comparable period of 2015 it was 72% of total costs of the Company.

Structure of costs by type Q1 2016



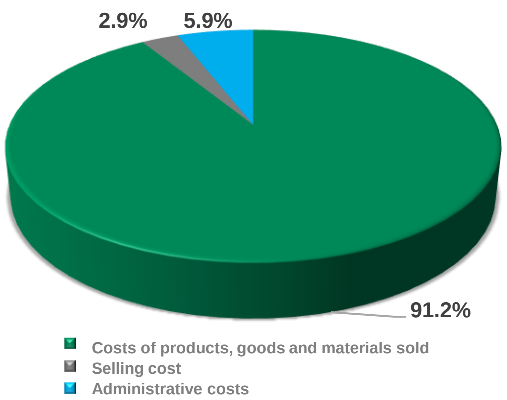
Structure of costs by type Q1 2015



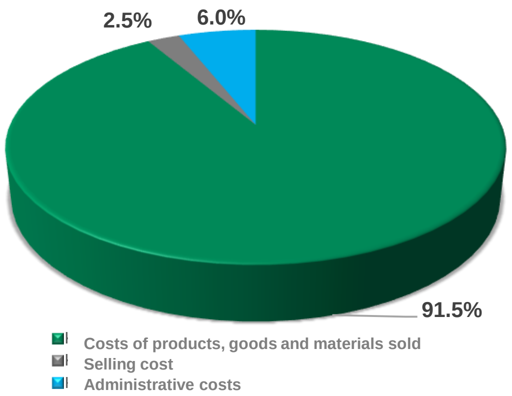
Costs by function

[PLN '000]	Q1 2015	Q1 2016	Change
Net production ['000 tonnes]	1,990	2,335	17.3%
Sales ['000 tonnes]	1,946	2,184	12.2%
Costs of products, goods and materials sold	350,511	313,539	-10.5%
Selling cost	9,405	9,851	4.7%
Administrative costs	23,128	20,323	-12.1%
Own cost of production sold	**383,044**	**343,713**	**-10.3%**

Structure of costs by function Q1 2016



Structure of costs by function Q1 2015



Costs by function

Own cost of production sold (by function) in Q1 2016 was PLN 343,713,000 and was lower by 10.3% (PLN -39,331,000) than the cost incurred in Q1 2015 - the decrease y/y is mainly a result of the balance of provisions and other presentation adjustments (in 2015 they increased costs and decreased in 2016), and the fact that in Q1 2016 production of PLN 24,906,000 was allocated to inventories (for comparison, in 2015 coal worth PLN 9,612,000 was put as inventories).

Provisions

Provisions at the LW Bogdanka Group

Balance-sheet provisions

[PLN '000]	As at 31 Dec. 2015	As at 31 Mar. 2015	As at 31 Mar. 2016	Change 31 Mar. 2016/ 31 Dec. 2015	Change 31 Mar. 2016/ 31 Mar. 2015
Employee provisions	251,537	252,108	245,273	-2.5%	-2.7%
Provision for real property tax	23,881	22,687	25,975	8.8%	14.5%
Provision for the mine closure costs and reclamation	130,179	119,927	131,012	0.6%	9.2%
Mining damage	8,497	8,493	8,397	-1.2%	-1.1%
Provision for ZUS claims for occupational injury contribution	18,727	17,740	19,055	1.8%	7.4%
Other	29,907	27,534	31,304	4.7%	13.7%
TOTAL	**462,728**	**448,489**	**461,016**	**-0.4%**	**2.8%**

The total provisions as at 31 March 2015 amounted to PLN 461,016,000, which means a drop by 0.4% compared to the value as at the end of 2015 and an increase by 2.8% in relation to the value as at 31 March 2015.

As compared to 31 December 2015, the employee provisions dropped by 2.5% and as at 31 March 2016 amounted to PLN 245,273,000 - in relation to revaluation of provisions the value of provisions for coal allowance, provisions for pensions and retirements and unused holidays, increased; at the same time, the provision for long-service awards decreased. An additional provision for bonuses for employees (created in 2015) was released in Q1 2016 (the benefit was paid out).

Change in provisions

[PLN '000]	Change in Q1 2015	Change in Q1 2016	Change
Employee provisions	25,384	-6,264	-
Provision for real property tax	-571	2,094	-
Provision for the mine closure costs and reclamation	-3,658	833	-
Mining damage	-662	-100	-84.9%
Provision for ZUS claims for occupational injury contribution	1,839	328	-82.2%
Other	2,239	1,397	-37.6%
TOTAL	**24,571**	**-1,712**	**-**

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

[PLN '000]	Change of provisions in Q1 2016	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	-6,264	218	1,455	-	16,608	-24,545
Provision for real property tax	2,094	2,094	-	-	-	-
Provision for the mine closure costs and reclamation	833	604	871	-642	-	-
Mining damage	-100	-	-	-	-	-100
Provision for ZUS claims for occupational injury contribution	328	-	328	-	-	-
Other	1,397	1,182	287	-	-	-72
TOTAL	**-1,712**	**4,098**	**2,941**	**-642**	**16,608**	**-24,717**

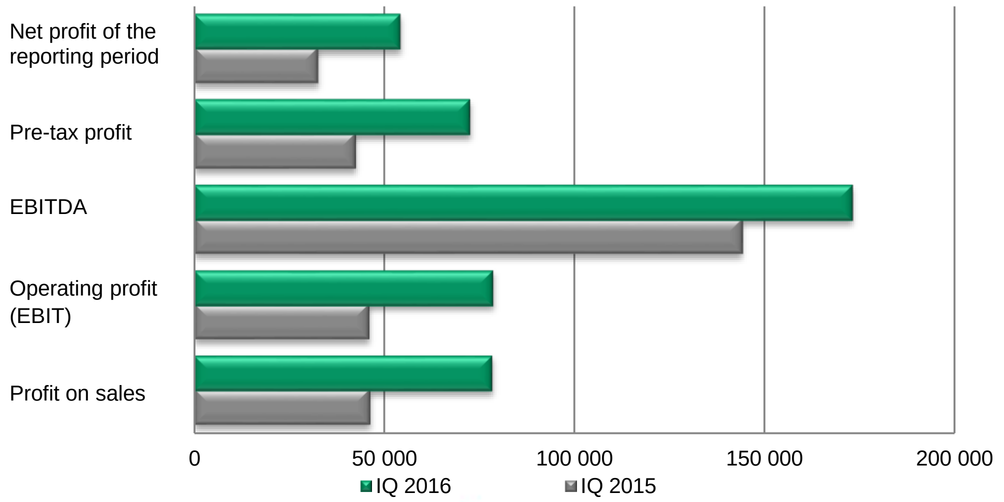
Financial highlights

Selected financial data of the LW Bogdanka Group

Analysis of the consolidated income statement

[PLN '000]	Q1 2015	Q1 2016	Change
Revenue	428,279	420,569	-1.8%
Costs of products, goods and materials sold as well as selling and administrative costs	381,825	341,953	-10.4%
Profit/loss on sales	**46,454**	**78,616**	**69.2%**
Gross sales margin	*10.8%*	*18.7%*	*7.9 p.p.*
Other income	1,818	1,059	-41.7%
Other costs	268	583	117.5%
Net operating profit	**48,004**	**79,092**	**64.8%**
Other net profits/(losses)	148	-207	-
Operating profit (EBIT)	**48,152**	**78,885**	**63.8%**
EBIT margin	*11.2%*	*18.8%*	*7.6 p.p.*
EBITDA	**144,395**	**173,345**	**20.0%**
EBITDA margin	*33.7%*	*41.2%*	*7.5 p.p.*
Finance income	1,506	1,615	7.2%
Finance costs	7,048	7,671	8.8%
Profit before taxation	**42,610**	**72,829**	**70.9%**
Pre-tax profit margin	*9.9%*	*17.3%*	*7.4 p.p.*
Income tax	9,920	18,383	85.3%
Net profit of the reporting period	**32,690**	**54,446**	**66.6%**
Net sales margin	*7.6%*	*12.9%*	*5.3 p.p.*

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



Financial highlights

Revenue
The value of revenue for Q1 2016 decreased by 1.8% compared to the same period of 2015 and amounted to PLN 420,569,000.

Costs of products, goods and materials sold, selling costs, administrative costs
This was affected by costs of products, goods and materials sold as well as selling and administrative costs which in Q1 2016 dropped by 10.4% compared to the analogous period of 2015 and amounted to PLN 341,953,000.

Profit/loss on sales
In Q1 2016, the LW Bogdanka Group's profit on sales increased by 69.2% compared to Q1 2015. The Group generated profit in the amount of PLN 78,616,000.

Other income
In Q1 2016 other income amounted to PLN 1,059,000 compared to PLN 1.818,000 in Q1 2015. In the above period the Group received lower damages and compensations than in the comparable period.

Other costs and other net profits/losses
In Q1 2016 other operating cost amounted to PLN 583,000 compared to PLN 268,000 of the same period of 2015. In 2016 the Group paid higher damages and provided higher donations. Between 1 Jan. 201 and 31 Mar. 2016 net losses amounted to PLN 207,000 compared to other net profit of PLN 148,000 earned for the same period of 2015.

EBIT
The operating result in Q1 2016 amounted to PLN 78,885,000 and was higher by 63.8% compared to Q1 2015, whereas EBIT for Q1 2016 was 18.8%, i.e. more by 7.6 p.p. than in the analogous period of 2015.

EBITDA
EBITDA in Q1 2016 increased by 20.0% compared to Q1 2015 and amounted to PLN 173,345,000. EBITDA margin in Q1 2016 was 41.2% and was lower than in the same analysed period of 2015.

Finance income
Finance income in Q1 2016 amounted to PLN 1,615,000. With respect to Q1 2015 an increase of 7.2% was recorded. The change is attributable to a higher average level of cash available in the LW Bogdanka Group.

Finance cost
In Q1 2016 finance cost was higher by 8.8% than the cost in the same period of 2015, and amounted to PLN 7,671,000. In the analysed period an average value of interest-bearing debt dropped, however the proportion of interest allocation changed (to finance cost of the period and the costs related to outlays for construction in progress).
The total debt of the Group amounted to PLN 725,624,000, including that of the Parent of PLN 700,090,000 as at 31 March 2016.

Profit before taxation
In Q1 2016 the LW Bogdanka Group generated pre-tax profit of PLN 72,829,000 compared to the generated profit of PLN 42,610,000 in Q1 2015 (+70.9%).

Net profit for the reporting period
In Q1 2016 the Group achieved net profit higher by 66.6% than in Q1 2015 – net profit was PLN 54,446,000 (2016) against PLN 32,690,000 (2015). In the analysed period the net profit for the reporting period attributable to owners of the Parent was PLN 54,088,000 compared to PLN 32,522,000 in an analogous period of 2015.

Balance sheet

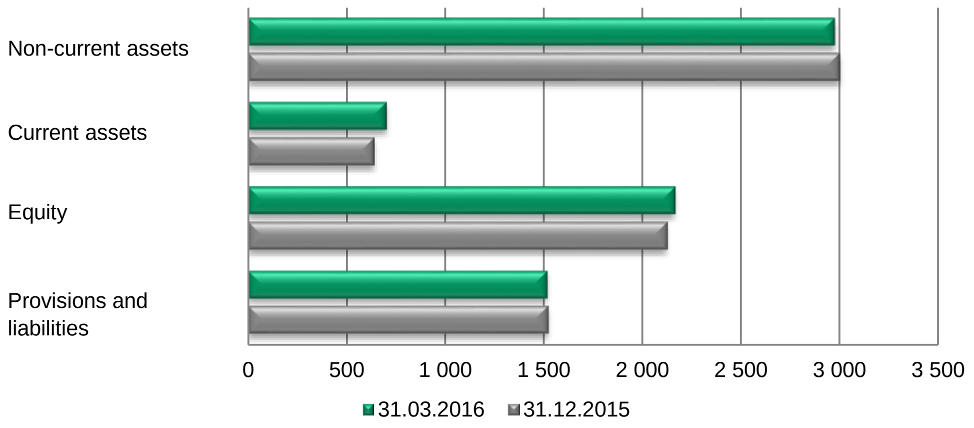
Balance sheet

Selected financial data

[PLN '000]	31 Dec. 2015	31 Mar. 2016	Change
Total assets	3,644,024	3,680,535	1.0%
ROA	-7.0%	-7.0%	0.0%
Non-current assets	3,003,073	2,978,990	-0.8%
Current assets	640,951	701,545	9.5%
Equity	2,122,622	2,164,284	2.0%
ROE*	-12.0%	-12.0%	0.0%
Provisions and liabilities	1,521,402	1,516,251	-0.3%

* the calculations include net result for the last 4 quarters and an average level of assets and equity (as at 31 March 2016 + as at 31 December 2015)/2

Analysis of the quarterly consolidated statement of financial position



Assets

The balance-sheet total as at 31 March 2016 went down to PLN 3,680,535,000 (i.e. by PLN 36,511,000) compared to the value as at 31 December 2015, with non-current assets going down by PLN 24,083,000 and current assets going up by PLN 60,594,000. Within current assets the value of inventories went up by 19.4%, trade and other receivables fell by 18.8%, while cash and cash equivalents went up by 34.4%.

As at 31 March 2016 ROA remained at the level recorded on 31 December 2015 and, as at the balance-sheet date it was -7.0% (net result of the Group for last 4 quarters, i.e. the period from 1 April 2015 to 31 March 2016, was included in the calculations as at 31 March 2016).

Equity and liabilities

The equity went up by 2.0%. This is mainly a result of adding comprehensive net income for the 3 months 2016 to equity.

Provisions and liabilities went down by 0.3% compared to the value as at 31 December 2015, with current liabilities going down by 3.9% (trade liabilities as well as employee benefits payable decreased), while non-current liabilities increased by 0.9% (including provisions for employee benefits and borrowings).

Both as at 31 March 2016 and as at 31 December 2015 ROA was -12.0% (net result of the Group for last 4 quarters, i.e. the period from 1 April 2015 to 31 March 2016, was included in the calculations as at 31 March 2016).

Cash flow

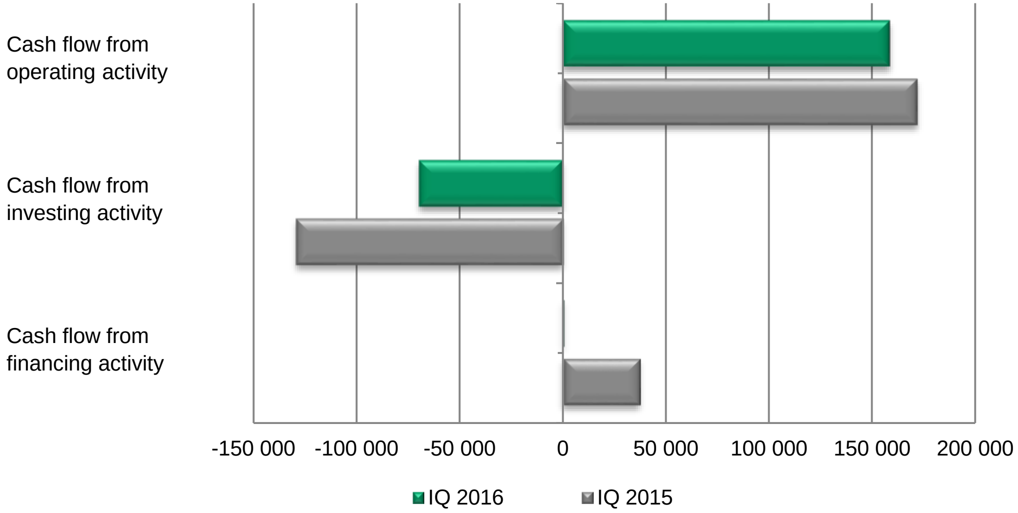
Cash flow

Annual consolidated cash flow

[PLN '000]	Q1 2015	Q1 2016	Change
Cash flow from operating activity	172,081	158,785	-7.7%
Cash flow from investing activity	-129,205	-69,374	-46.3%
CFFO*	**42,876**	**89,411**	**108.5%**
Cash flow from financing activity	37,357	669	-98.2%

*total cash flow from operating and investing activity

Analysis of the consolidated statement of cash flows



In Q1 2016 the Group generated net cash flow from operating activities lower by 7.7% than in Q1 2015 - in the period January-March 2016 it amounted to PLN 158,785,000 compared to PLN 172,081,000 in 2015.

Cash flow from operating activities decreased its value (in absolute values) in Q1 2016 by 46.3% (to PLN 69,374,000) relative to the analogous period of 2015. The scope of outlays for non-current assets changed y/y.

In the period 1 January 2016 - 31 March 2016, the Group recorded positive cash flow from financing activities of PLN 669,000 (loans and borrowings worth PLN 4,984,000 were received, loans worth PLN 759,000 were repaid, and interest of PLN 3,556,000 were paid). In the period 1 January 2015 - 31 March 2015, the Group recorded positive cash flow from financing activities of PLN 37,357,000 (positive balance of loans and borrowings received over loans and borrowings repaid and interest paid).

Debt and liquidity ratios

Debt and financing structure

[PLN '000]	31 Dec. 2015	31 Mar. 2016	Change
Overall debt ratio	41.8%	41.2%	-0.6 p.p.
Ratio (debt plus employee liabilities)/EBITDA	1.42	1.36	-4.2%
Ratio net debt/EBITDA*	0.67	0.52	-22.4%
Debt to equity ratio	71.7%	70.1%	-1.6 p.p.
Fixed capital to non-current assets ratio	103.6%	106.1%	2.5 p.p.
Current debt ratio	11.1%	10.6%	-0.5 p.p.
Non-current debt ratio	30.7%	30.6%	-0.1 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 March 2016 went down by 0.6 p.p. compared to 31 December 2015 and reached 41.2% - the share of borrowed capital in the overall financing sources of the Group decreased. The level of the Group's debts as at 31 March 2016 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 cash at proper levels.

Ratio debt plus employee liabilities/EBITDA

The ratio describing debt to EBITDA at the end of Q1 2016 dropped by 4.2% to 1.36. When comparing data as at 31 March 2016 to 31 December 2015, debt remained at a similar level - in nominal terms (including amounts payable to employees) with an increase in EBITDA (cumulatively for the last four quarters).

Ratio net debt/EBITDA

The ratio describing the relation of net debt (the total of current and non-current liabilities less cash and equivalents) to EBITDA dropped from 0.67 as at 31 December 2015 to 0.52 as at 31 March 2016. The value of debt dropped by ca. PLN 86 million with EBITDA falling by ca. PLN 29 million (EBITDA cumulatively for the last four quarters).

Debt to equity ratio

Debt to equity ratio as at 31 March 2016 decreased in relation to 31 December 2015 by 1.6 p.p. and was 70.1% - liabilities dropped by ca. PLN 5 million along with an increase in equity by ca. PLN 42 million.

Fixed capital to non-current assets ratio

The fixed capital to non–current assets ratio was 106.1% (as at 31 March 2016) compared to 103.6% (as at 31 December 2015) – in the analysed period the value of non-current assets dropped by PLN 24 million, while fixed capitals (equity plus non-current liabilities less provisions) increased by PLN 51 million.

Liquidity ratios

In the period covered by the quarterly consolidated 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.

[days]	31 Dec. 2015	31 Mar. 2016	Change
Current liquidity ratio	1.98	2.31	16.7%
Quick liquidity ratio	1.66	1.91	15.1%

Turnover ratios

Turnover ratios

[PLN '000]		31 Dec. 2015	31 Mar. 2016	Change
1. Inventory turnover	average inventories / costs of products, goods and materials sold	21	33	57.1%
2. Debtors collection rate*	average receivables / revenue	52	47	-9.6%
3. Creditors payment rate**	average liabilities / costs of products, goods and materials sold	64	77	20.3%
4. Operating cycle	1+2	73	80	9.6%
5. Cash conversion cycle	4-3	9	3	-66.7%

* Trade debtors and other receivables
** Trade creditors and other liabilities

Inventory turnover
Compared to the rate as at 31 December 2016, the inventories turnover rate as at 31 March 2016 fell increased to 33 days which is mainly a result of the cost of products, goods and materials sold going down and coal inventories going up.

Debtors collection rate
The debtors collection rate (calculated on the basis of the balance-sheet item "Trade and other receivables") was 47 days (as at 31 March 2016), compared to 52 days (as at 31 December 2015). The drop in the ratio's value is attributable to a lower average level of receivables.

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 longer by 13 days to 77 days, as compared to the end of 2015. As at 31 March 2016 an average level of liabilities decreased significantly

Operating cycle
The operating cycle for current assets (a sum of inventory turnover and debtors collection rate) in the analysed period was 80 days, compared to 73 days as at 31 December 2015. The time necessary for realising the Group's current assets got longer by 7 days on the average.

Cash conversion cycle
The consequence of the above trends, the cash conversion cycle as at 31 March 2016 was 3 days (as at 31 December 2015 – 9 days).

Information on LW Bogdanka Group companies subject to consolidation
Subsidiaries: Łęczyńska Energetyka, EkoTRANS Bogdanka, RG Bogdanka and MR Bogdanka were included in the Consolidated Quarterly Report of LW Bogdanka Group for the first quarter 2016 with the full consolidation method.

Overview of significant off-balance sheet items of the LW Bogdanka Group in subjective, objective and value terms
In Q1 2016 no material off-balance sheet items occurred.

Investments and capital investments of LW Bogdanka Group
The value of cash held by the Group as at the end of March of this year stood at PLN 452,487,000, of which PLN 430,683,000 was held by the Parent. The amount PLN 452,487,000 includes:

- PLN 100,370,000 disclosed in non-current assets,
- PLN 352,117,000 disclosed in current assets.

The amount of PLN 100,370,000 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 352,117,000 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 330,313,000, and in the Subsidiaries – PLN 21,804,000 (mainly attributable to Łęczyńska Energetyka).

Information on financial instruments, bonds

Information on derivative financial instruments

As at 31 March 2016, the Parent did not hold any forward transactions or other derivative transactions.

Bonds

As at 31 March 2016, 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.

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 page 9 of the Report.

Position of the Management Board of LW Bogdanka S.A. regarding the possibility of achieving previously published forecasts for the year in question, in light of the results presented in the consolidated quarterly report as compared to the forecast results.

The LW Bogdanka Group did not publish projections of financial results of the Group for 2016.

Proceedings pending before: a court, the relevant authority for arbitration proceedings or a public administration authority

As of the date of preparing the Directors’ Report on Operations of the Group for Q1 2016 LW Bogdanka and its subsidiaries were not parties to proceedings pending before a court, a relevant authority for arbitration proceedings or a public administration authority, 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.

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

Agreements concerning the subsidiaries' loans and borrowings

In Q1 2016 the Parent had one loan agreement in effect.

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

Information on LW Bogdanka S.A. or its subsidiary granting sureties for a credit facility or loan or granting guarantees

In the period from 1 January 2016 to 31 March 2016, neither LW BOGDANKA nor its subsidiaries granted sureties for a credit facility or loan, nor did they grant guarantees jointly to a single entity or a subsidiary company of that entity worth the equivalent of at least 10% of the Parent's equity.

Transactions with related entities

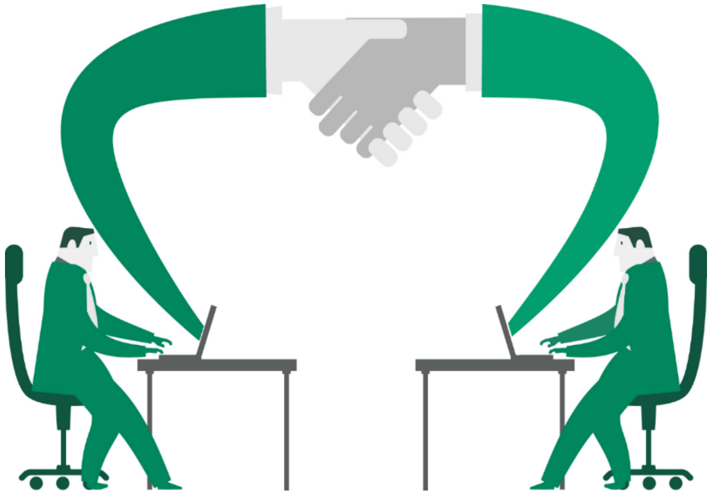
During three months of 2016, neither the Parent nor its Subsidiaries concluded any significant transactions with related entities which were individually or jointly significant and concluded on terms other than on an arm's length basis. Information about transactions of LW Bogdanka S.A. with related entities is contained in section 12 of the Consolidated Quarterly Report of the LW BOGDANKA Group for the three months ended on 31 March 2016.

Guarantees received by the LW Bogdanka Group

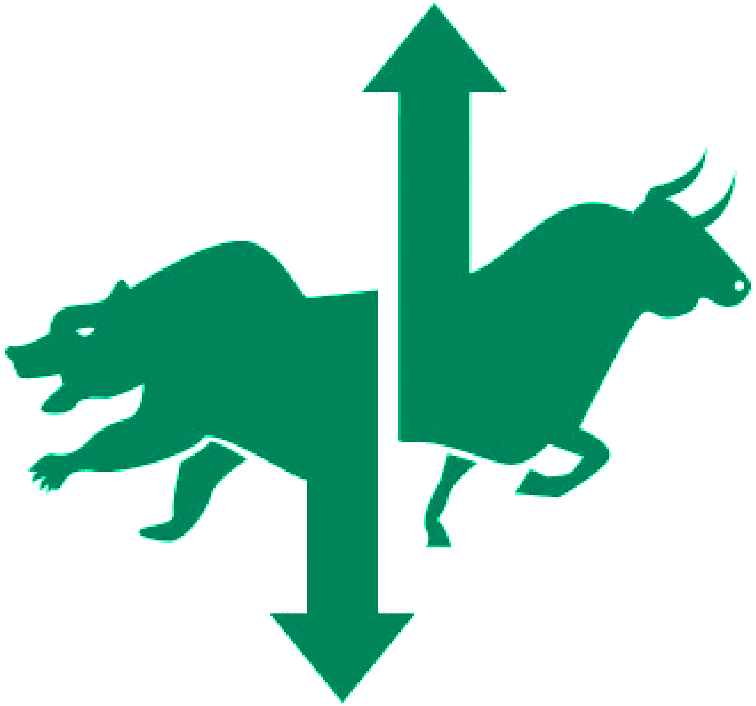
Agreements concerning the subsidiaries' loans and borrowings

In accordance with an agreement of 9 June 2014, Łęczyńska Energetyka sp. z o.o. was granted a loan (of PLN 26.580,000) by the Provincial Fund for Environmental Protection and Water Management (WFOŚiGW) in Lublin, which was allocated to financing the construction of the Water Treatment Station in Bogdanka for the purposes of the existing infrastructure. The loan bears interest of 0.7 of the rediscount rate set by the Monetary Policy Council, not less than 4% annually. The repayment will be performed until 31 July 2024.

In Q1 2016 the subsidiaries: EkoTrans Bogdanka sp. z o.o., RG Bogdanka sp. z o.o., MR Bogdanka sp. z o.o., did not grant, incur or terminate agreements regarding credit facilities and loans.



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
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



4. Shares and shareholding

SHAREHOLDING STRUCTURE

Share capital structure and shareholding

Share capital structure

The Parent's share capital amounts to PLN 170,067,950 and is divided into 34,013,590 shares with a par value of PLN 5 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.

Treasury shares

In Q1 2016 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

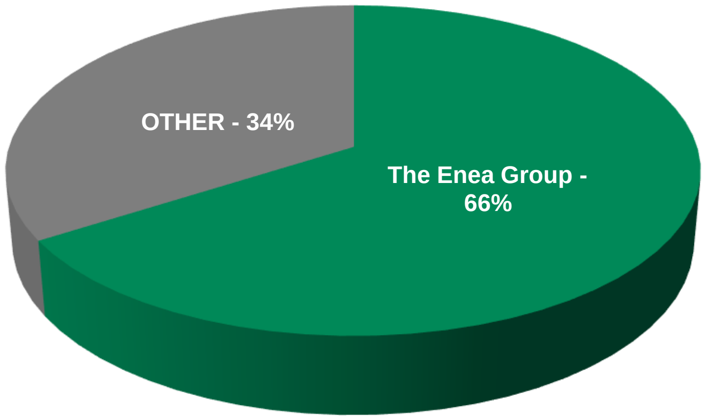
The Company is not aware of any changes in the structure of major shareholders of the Parent since the date of publishing the consolidated annual report for 2015.

Shareholding structure

The table below shows a shareholding structure of LW Bogdanka S.A. as at 31 March 2016 and as the date of publishing this Report, i.e. 16 May 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%**

Shareholding of LW Bogdanka S.A. as at 31 March 2016 and as at 16 May 2016



Participation of the LW Bogdanka's shares in indices

The Parent was first listed on the Warsaw Stock exchange on 25 June 2009. In Q1 2016, LW Bogdanka S.A. formed 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;
- 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.

Analysts’ recommendations and price performance of the shares

Participation of the Parent’s shares in indices as at 16 May 2016

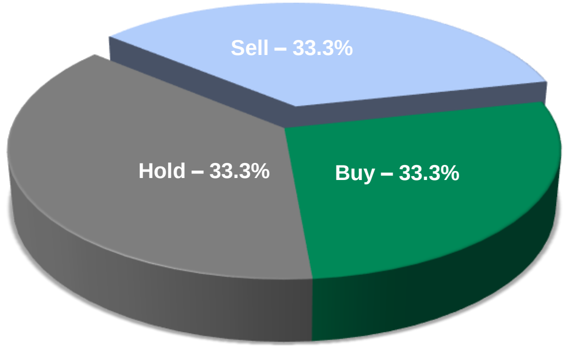
WIG30	mWIG40	WIG surowce	WIG Poland	WIG div	RESPECT Index
0.22%	0.73%	**4.23%**	**0.16%**	**0.64%**	**0.50%**

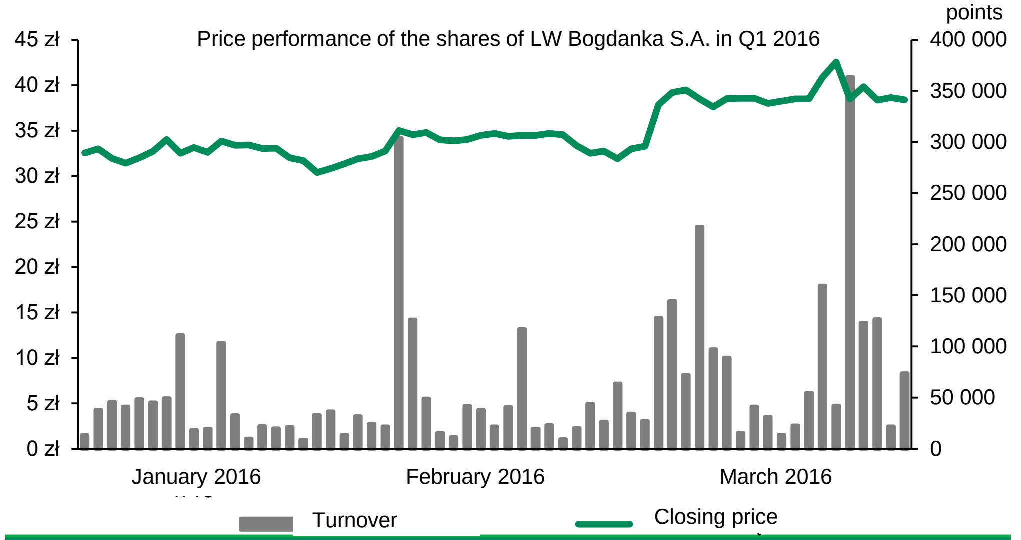
Analysts recommendations issued for LW Bogdanka S.A. in 2016

Date of Issue	Institution	Recommendation	Target price	Price on the date of issue
5 January	BDM DM	Buy	PLN 39.80	PLN 32.55
26 January	BZ WBK	Sell	PLN 16.30	PLN 33.03
2 February	Societe Generale	Hold	PLN 34.40	PLN 31.90
31 March	PEKAO Investment Banking	Hold	PLN 41.70	PLN 38.35
11 April	PKO BP	Hold	PLN 39.00	PLN 37.00
13 April	BZ WBK	Sell	PLN 17.80	PLN 37.60
20 April	DM Trigon	Buy	PLN 49.00	PLN 37.10
20 April	Haitong Research	Sell	PLN 35.90	PLN 44.50
5 May	BOŚ DM	Buy	PLN 41.70	PLN 38.35

In 2016 over 66% of analysts recommended ”BUY” or ”HOLD” shares of LW Bogdanka S.A.

Recommendations issued for LW Bogdanka S.A. from 1 January 2016 until 16 May 2016





Key share indicators:	Q1 2016
Maximum price [PLN]	42.54
Minimum price [PLN]	30.39
Last price [PLN]	38.40
Average price [PLN]	34.90
Capitalisation at end of period [PLN million]	1,306
Book value [PLN million]	2,164.28
Price/earnings ratio	23.99
Price/book value	0.60
Average volume per session	60,203
Number of shares in trading [no. of shares]	34,013,590

Holdings of shares in LW Bogdanka S.A. by members of the Company's bodies

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 nominal value of shares in 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:

THE MANAGEMENT BOARD					
Name and surname	Number of Company shares as at 16 May 2016	Nominal value of the shares (PLN)	Number of Company shares as at 21 March 2016	Nominal value of the shares (PLN)	Number of shares in Subsidiaries
Krzysztof Szlaga	0	0	-	0	0
Stanisław Misterek	247	1,235	-	0	0
Adam Partyka	253	1,265	-	0	0
SUPERVISORY BOARD					
Name and surname	**Number of Company shares as at 16 May 2016**	**Nominal value of the shares (PLN)**	**Number of Company shares as at 21 March 2016**	**Nominal value of the shares (PLN)**	**Number of shares in Subsidiaries**
Szymon Jankowski	0	0	0	0	0
Magdalena Kaczmarek	0	0	0	0	0
Mirosław Kowalik	0	0	0	0	0
Przemysław Krasadomski	0	0	0	0	0
Wiesław Piosik	0	0	0	0	0
Michał Stopyra	0	0	0	0	0
TOTAL	**Number of Company shares as at 16 May 2016**	**Nominal value of the shares (PLN)**	**Number of Company shares as at 21 March 2016**	**Nominal value of the shares (PLN)**	**Number of shares in Subsidiaries**
	247	1,235	0	0	0

*According to 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 Management Options Scheme introduced 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.

5. Governing bodies

Management Board of the Parent

Krzysztof Szlaga

President of the Management Board

Mr Krzysztof Szlaga has a university degree in economics. In 2001, he graduated from the University of Economics in Kraków, Faculty of Finance and Banking with an MA degree, as well as a Diplom-Betriebswirt degree given by the University of Applied Sciences in Kiel (Germany), the Faculty of Economics. He has gained his professional experience while working for international enterprises. Since the beginning of his career, he has concentrated on capital intensive industries. Since 2001 Mr Krzysztof Szlaga was with KPMG Deutsche Treuhand-Gesellschaft, as Audit Senior at the Assurance Commercial Clients Department. In 2004 he joined Ernst & Young Audit Spółka z o.o. as Audit Senior at the Assurance and Business Services Department. In 2005÷2008 he worked as Project Manager at the Restructuring/Operational Excellence and Corporate Finance Department at Roland Berger Strategy Consultants Spółka z o.o. In 2008÷2010 he held the position of the Member of the Management Board, Supply Chain Management Director at CTL Logistics S.A. In 2010÷2012 he was a Supply Chain Management Director at Ruch S.A. He has been related to LW Bogdanka since 2013. He held the position of the Vice-President of the Management Board, Procurement and Investments. On 1 April 2016, he became the President of the Management Board of LW Bogdanka S.A. Mr Krzysztof Szlaga has many years of experience in conducting complex restructuring processes in the heavy industry. He is fluent in German and English.

Stanisław Misterek

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

Graduate of MA studies at the Faculty of Economics of the University of Maria Curie-Skłodowska in Lublin, post-graduate studies in the field of European Accounting and Financial Standards at the Warsaw School of Economics (SGH), post-graduate studies in the field of Public Procurement at the European University of Law and Administration in Warsaw as well as post-graduate studies in the field of International Accounting Standards / International Financial Reporting Standards at the University College of Enterprise and Administration in Lublin. He has completed numerous training courses on finance management and accounting. He is a professional accountant and certified as a Chartered Accountant.

Mr Stanisław Misterek has been related to the mining and power industry for thirty-seven years. He has maintained his ties with the Lublin Coal Basin since 1979. Since 1990 he has held key positons in the LW Bogdanka Group. During that time, he gained experience in managing a company from the mining and power industry, with particular focus on managing its financial affairs. From May 2008 to January 2016, he was responsible for the finances of Łęczyńska Energetyka Sp. z o.o. On 1 April, he took up the post as the Vice-President of the Management Board, Economic and Financial Affairs at LW Bogdanka S.A.

Adam Partyka

Vice-President of the Management Board, Employee and Social Affairs.

He obtained an M.Sc. degree from the Lublin University of Technology where he studied computer science application in engineering. He also completed post-graduate studies at the University College of Enterprise and Administration in Lublin with major in finance and accounting. He has completed a number of training courses in the following fields: audit, responsibility and competence of management personnel, finance for managers, as well as courses for members of management boards and supervisory boards of companies.

He has been related to LW Bogdanka since 1985. Since June 2014 he has held the position of the Deputy Chairman of the “Solidarity” Trade Union. In 2007÷2014 he worked as shift foreman of electrical devices underground. In 2006÷2012 he was a member of the Supervisory Board of LW Bogdanka S.A. On 1 April he became Vice-President of the Management Board, Employee and Social Affairs.

Changes in the Management Board and Supervisory Board of the Parent

Date	Changes in the Management Board of LW Bogdanka S.A.
24 March 2016	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 • Piotr Janicki - Vice-President of the Management Board, Economic and Financial Affairs • Jakub Stęchły - Vice-President of the Management Board, Procurement and Investments. The Supervisory Board of LW Bogdanka S.A. appointed to the Management Board of LW Bogdanka S.A.: • Krzysztof Szlaga – President of the Management Board • Stanisław Misterek – Vice-President of the Management Board, Economic and Financial Affairs • Adam Partyka – Vice-President of the Management Board, Employee and Social Affairs

Date	Changes in the Supervisory Board of LW Bogdanka S.A.
14 January 2016	Dalida Gepfert resigned from her function at the Supervisory Board of LW Bogdanka.
23 February 2016	The Extraordinary General Shareholders Meeting removed the following persons: • Bartosz Krysta • Krzysztof Matan The Extraordinary General Shareholders Meeting appointed to the Supervisory Board the following four persons, each for an individual term of office of three years: • Szymon Jankowski • Mirosław Kowalik • Przemysław Krasadomski • Wiesław Piosik

Glossary

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

PGG - Polska Grupa Górnicza (Polish Mining Group)

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

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SIGNATURES OF MANAGEMENT BOARD MEMBERS

Krzysztof Szlaga	President of the Management Board	Krzysztof Szlaga
Stanisław Misterek	Vice-President of the Management Board, Economic and Financial Affairs	
Adam Partyka	Vice-President of the Management Board, Employee and Social Affairs	

Bogdanka, 16 May 2016

Thank you!