



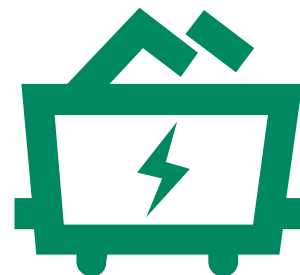
Directors' Report on Operations of the Lubelski Węgiel Bogdanka Group in Q3 2016

Bogdanka, 10 November 2016



13.3%

Share in the hard coal market in Poland



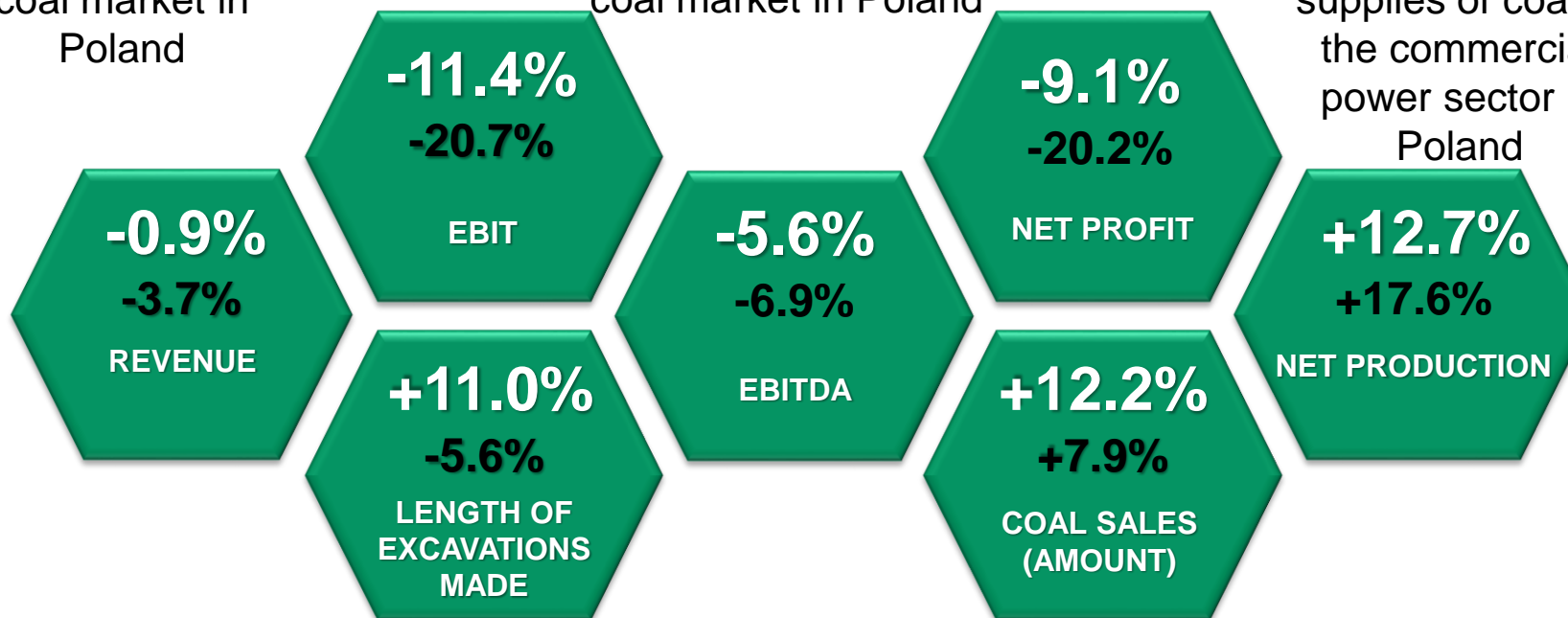
15.7%

Share in the thermal coal market in Poland



25.9%

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



□ Change Q1-Q3 2016/ Q1-Q3 2015

■ Change Q3 2016/ Q3 2015



1. Summary of operational activities



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The LW Bogdanka Group achieved good financial and operating results, because it was able to implement the production plan and ensure high level of sales in Q1-Q3 2016 despite the continued difficult situation on the market.

In Q1-Q3 2016, the LW Bogdanka Group generated:

- net revenue of **PLN 1,314.4 million – decrease by 0.9% y/y**
- EBITDA of **PLN 432.3 million – decrease by 5.6% y/y**
- net profit of **PLN 120.2 million – decrease by 9.1% y/y**

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

<ul style="list-style-type: none"> • increased trade cooperation within the Enea Group • reduction of administrative costs (y/y) • coal sales level slightly above the production level • own cost of marketed production at a similar level despite significant production growth 	<ul style="list-style-type: none"> • continued difficult situation on the coal market • low prices of thermal coal • oversupply on the thermal coal market

LW Bogdanka S.A. was consistently pursuing its cost optimisation policy, which in the first three quarters of 2016 allowed it to **maintain total cost of production** on a slightly higher level (**increase by 2.3%**) in comparison to the first three quarters of 2015 with the **production higher by as much as 12.7% (y/y)**.

The LW Bogdanka Group improved **the ratio of net debt/EBITDA** from the level of **0.7 to the level of 0.3**, which is related to the optimisation of capital expenditure commenced in 2015.

In the previous three quarters in comparison to the same period of 2015, LW Bogdanka S.A. increased the extraction of thermal coal **to 6.7 million tonnes** (in Q1-Q3 2015, the extraction totalled 5.9 million tonnes). The reason was to adjust the production to the sales opportunities of the Parent.



Q1 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, 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 and Michał Stopyra.

Conclusion of Annual Agreement with 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 Koźienice.

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 S.A. against the decision of the Minister of Environment of 5 November 2014 to uphold the decision challenged by the Company which was issued by 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." On 2 June 2016, the Company filed a cassation 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 very good parameters of those deposits. With the current operating resources, the mine will continue operations until about 2043.

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, Waldemar Bernaciak, Piotr Janicki and Jakub Stęchły, 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.

Q2 2016

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

On 12 April 2016, the Extraordinary General Shareholders Meeting of LW Bogdanka S.A. adopted a resolution on amendments to the Company's Articles of Association. The amendments concerned 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.

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

On 13 May 2016, the Company's Supervisory Board adopted resolutions, effective as of 23 May 2016, on the appointment of the following persons to the Management Board:

- Sławomir Karlikowski to the position of the Vice-President of the Management Board, Production – Head of Mining Supervision in Mining Facility;
- Marcin Kapkowski to the position of the Vice-President of the Management Board, Procurement and Investments.

Annual General Shareholders Meeting of LW Bogdanka S.A. of 22 June 2016

A resolution was adopted, according to which the net loss of PLN 278,029,548.37 was covered in full from the reserve capital and the Company will not pay out dividend from capitals created from previous years' profits.

All persons representing LW Bogdanka S.A. (Management Board and Supervisory Board Members) in 2015 were granted discharge in respect of their duties.

Q3 2016 and events until the publication date

Conclusion of a Memorandum of Understanding to Significant Agreement with EDF Paliwa sp. z o.o.

On 8 August 2016, LW Bogdanka S.A. signed a memorandum of understanding with EDF Paliwa sp. z o.o. regarding the Long-Term Agreement for the sale of thermal coal. The above-mentioned agreement extends the term of the Agreement until 31 December 2017 and specifies the terms and conditions of supplies in 2017 (quantitative volumes and prices).

Extraordinary General Shareholders Meeting of LW Bogdanka S.A. on 17 August 2016

The Extraordinary General Shareholders Meeting of LW Bogdanka S.A. adopted a resolution on the new Articles of Association. After the Articles of Association had been registered by the registry court, LW Bogdanka S.A. entered the Enea Group and adopted the Enea Group Code.

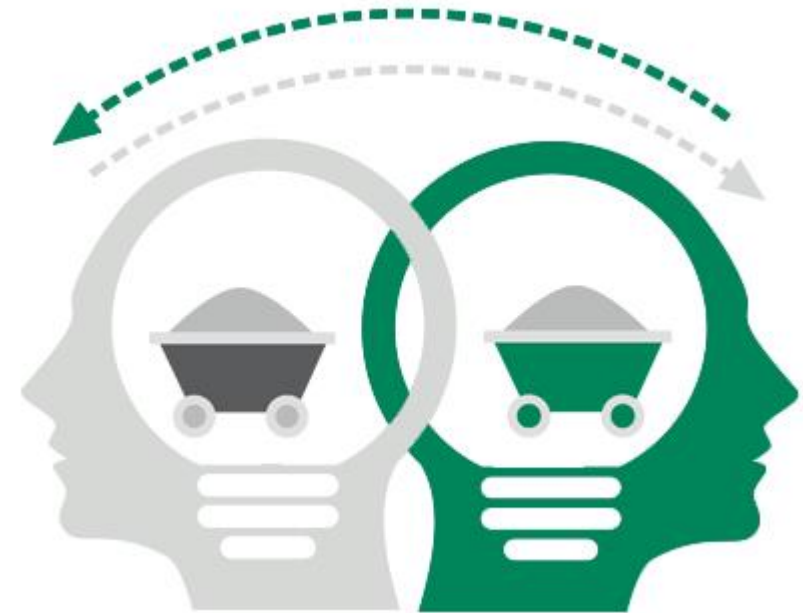
Moreover, the Extraordinary General Shareholders Meeting adopted a resolution on amendments to the Rules of Procedure of the General Shareholders Meeting (complete change of the Rules), and a resolution determining the rules and amounts of remuneration for the members of the Parent's Supervisory Board.

Conclusion of Annexes to Annual Agreements with ENEA Wytwarzanie Sp. z o.o.

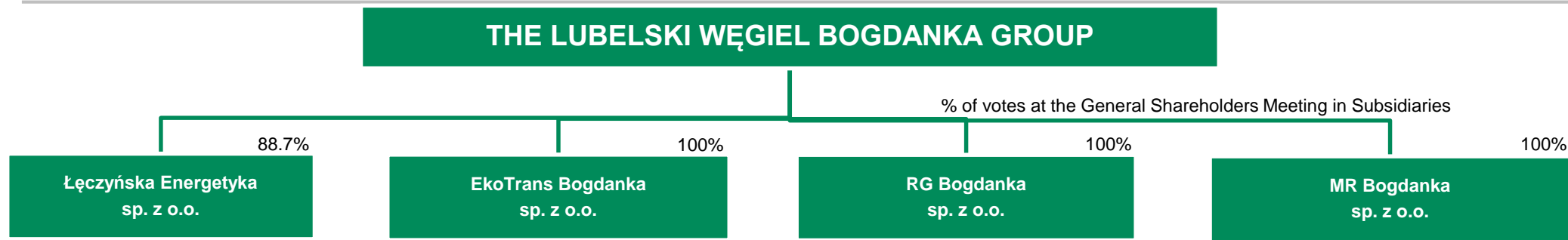
On 29 September 2016, LW Bogdanka S.A. signed annexes with ENEA Wytwarzanie sp. z o.o. regarding two Long-Term Agreements. The annex to Long-Term Agreement no. 1 specifies the price of supplies and volumes of supplies in 2016-2017, while the annex to Long-Term Agreement no. 2 extends the scope of cooperation within the Agreement by changing the volumes of supplies. Moreover, the annex to Long-Term Agreement no. 2 specifies the prices of coal supplies in 2017 (Agreement no. 2 remains in force and effect in 2017 - 2036).

Continued cooperation with ENGIE Energia Polska S.A.

On 30 September 2016, LW Bogdanka S.A. signed an annex to the Agreement for the sale of thermal coal with ENGIE Energia Polska S.A. The above-mentioned Agreement sets out the terms and conditions of thermal coal supplies in the period 2017-2021, the volumes of supplies, the coal price applicable to supplies in 2017, the price formula applicable between 2018 and 2020, and the manner in which the price will be calculated in 2021.



2. Organisation and business activities of the LW Bogdanka Group



Company name	Parent's share in the share capital		Share capital	Main activity
	26 August 2016	10 November 2016		
Łęczyńska Energetyka sp. z o.o.	88.7% (73,332 shares)	88.7% (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.	100.0% (100 shares)	100.0% (100 shares)	PLN 100,000 divided into 100 shares of PLN 1,000 each	comprehensive transport organisation and recovery of spoil arising during coal output washing and cleaning
RG BOGDANKA sp. z o.o.	100.0% (10,000 shares)	100.0% (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.	100.0% (20,000 shares)	100.0% (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

During the three quarters of 2016, there were no changes in the structure of the LW Bogdanka Group or in the Group's organisational and capital associations with 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.

Transactions with related entities

On 28 September 2016, LW Bogdanka S.A. and its subsidiaries: EkoTrans sp. z o.o., MR Bogdanka sp. z o.o. and RG Bogdanka sp. z o.o. concluded a notarial deed on establishing the Lubelski Węgiel Bogdanka Tax Group for the period from 1 January 2017 to 31 December 2019. On 25 October 2016, the Tax Group was registered by way of a decision of the Head of the Lubelski Tax Office in Lublin.

In addition to the above-mentioned deed, during the three quarters of 2016, neither the Parent nor its Subsidiaries concluded any 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 Note 12 of the Consolidated Quarterly Financial Statements of the LW Bogdanka Group for the nine months ended on 30 September 2016.

Information about all agreements that are significant from the point of view of the Company's operations is published in the form of current reports available at <http://ri.lw.com.pl/raporty-biezace>.



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

Lubelski Węgiel Bogdanka Spółka Akcyjna

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Fax: +48 81 462 51 91
www: www.lw.com.pl; www.ri.lw.com.pl
Industry ID No. (REGON): 430309210
Tax Reg. No. (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 amount to about 8.5 million tonnes over the next few years, i.e. significantly below the current capacity of the mining plant, which exceeds 10.5 million tonnes.

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
- reduce the costs of 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 operating resources)
- reinforce the Company as the main supplier of coal, especially for commercial power plants – to keep the existing share in sales of thermal 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 majority shareholder – Enea S.A.

On 2 October 2016, Enea S.A., the Company's majority shareholder, announced the strategy for the Enea Group, of which LW Bogdanka S.A. is a member. The Company plans to develop and announce its strategy by the end of the year. The strategy will correspond to the general assumptions of the strategy adopted for the entire group.



Projects completed in Q1-Q3 2016

The plan for Q1-Q3 2016 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.

New licences

The Company has bought the right to use geological information concerning the "Ostrów" deposit, and has completed the drilling of test under-shaft holes in that deposit. The mining licence for the "Orzechów" area has been extended. The Company continues its attempts at obtaining licences for the K-6, K-7 area of the "Cyców" deposit.

Maintenance of machinery

Upgrades and repairs of machines and equipment – the amount of PLN 6,433,000 was assigned for the modernisation of: combustion locomotives, hopper-scales, roadheading machines, the Bevex suspended machines, and periodical repairs of carriages.

Purchases of machines and devices subject to assembly – the amount of PLN 1,661,000 was spent for such machines and devices as a shunter unit, powered ventilation dams and a conveyor feeder set.

Purchases of finished goods – finished goods worth PLN 7,660,000 were purchased. The most important ones included: ready-made transportation devices, hydraulic pumps and aggregates, electric devices and other ready-made devices (e.g. fans, a duster, inverter welding machines, a hydraulic press, a gas chromatograph, geodesic instruments, tools other than non-current assets, drying equipment, etc.).

Other development and replacement projects

Central air conditioning of the Bogdanka Field – the system and all facilities of the central air-conditioning of the Bogdanka field have been constructed. Other outlays will be designated for the construction of a heat exchanger for cooling fire-fighting water.

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. Acquisition of plots located in the area of the surface of Stage II and Stage III is continued.

Other operating investments: Continued enlargement of the power grid, and the upgrade of the switching station and the 110/6 kV substation in Nadrybie.

Capital expenditure for excavations in Q1-Q3 2016.

Excavations and works - total	Depreciation method	Length [m]	Value of coal from excavations [PLN '000]	Total capital expenditure [PLN '000]	Value of the capital expenditure [PLN '000]
Wall workings	natural	14,449			
Basic workings	linear	1,816	49,074	188,489	139,415
Reconstructions	linear/natural	1,499			

Over the period of Q1-Q3 2016, 17,195 m of roadway excavations were made. Reconstruction of the excavations were continued as scheduled. The total expenditures on reconstruction of gallery workings in that period were equal to PLN 23,948,000. The total expenditures on new workings and upgrades of existing ones were equal to PLN 115,467,000.

Fractions are not included in the values indicated in the tables, because they are directly recognised in the costs. However, fractions are included in the total length. In this case, this is about 930 m.

Selected capital expenditure in the LW Bogdanka Group

[PLN '000]	PTE 2016	Actual Q1-Q3 2016	Actual Q1-Q3 2016 [%]
Acquisition of new licenses*	45,384	31,547	69.5%
Maintenance of machinery	62,655	15,754	25.1%
Other development and replacement projects	68,700	27,760	40.4%
Purchase and assembly of longwall systems	-	-6,465	-
New excavations and upgrades of existing ones	254,978	139,415	54.7%
TOTAL CAPEX in LW Bogdanka S.A.	431,717	208,011	48.2%
Łęczyńska Energetyka sp. z o.o.	6,200	4,538	73.2%
Other Subsidiaries	-	73	-
TOTAL CAPEX in the LW Bogdanka Group**	437,917	212,622	48.6%

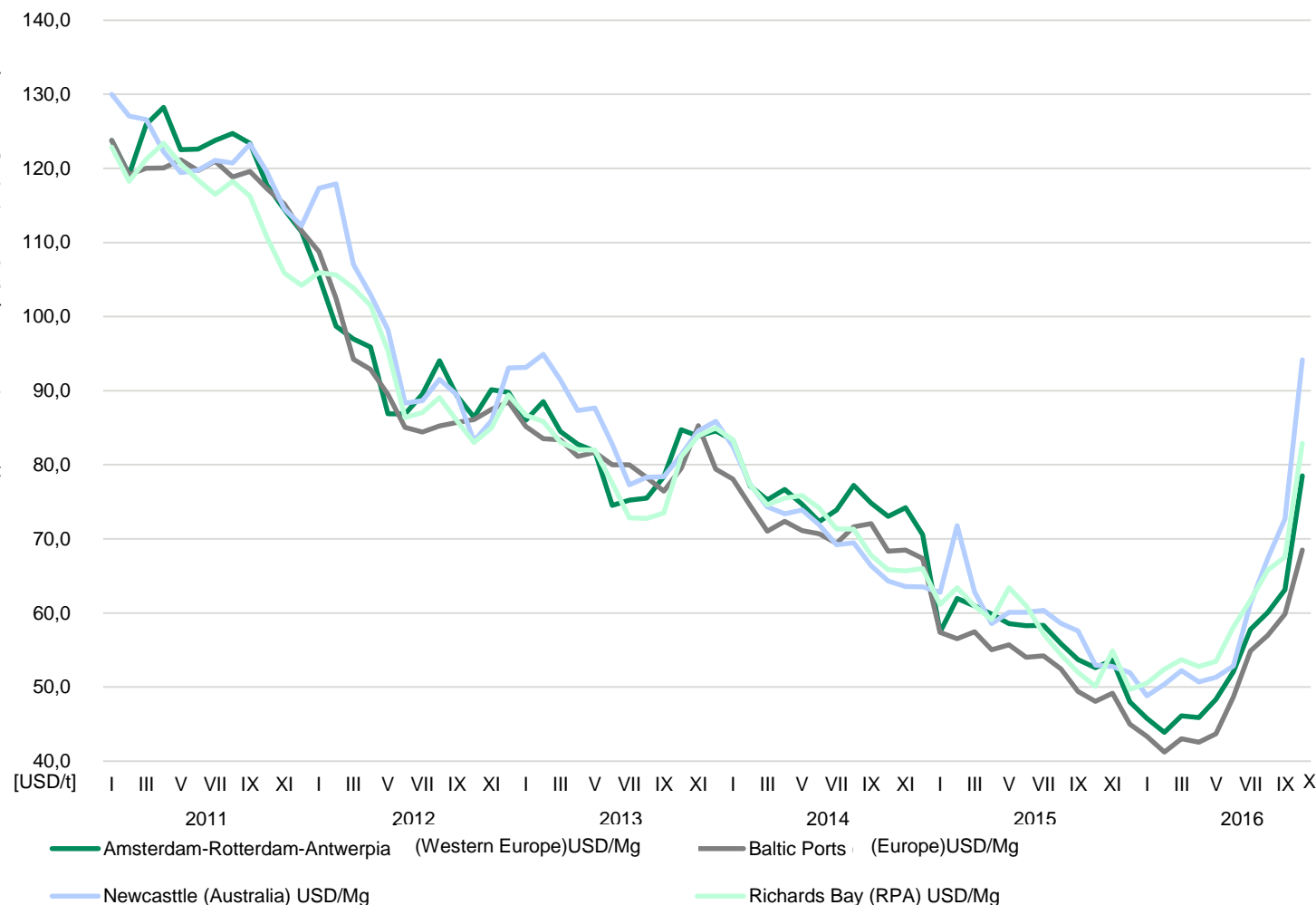
*plan for 2016 includes the full value of a fee for the use of geological information, which is payable in ten annual instalments. Total value of the geological information is PLN 28 million.

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



Thermal coal prices in international market between January 2011 and end of Q3 2016

- In Q1-Q3 2016, the average CIF ARA price amounted to USD 51.45 per tonne, which is about 12% less than in the same period of 2015.
- In Q3 2016, the average CIF ARA price amounted to USD 60.34 per tonne, which is about 8% more than in Q3 2015, almost 24% more than in Q2 2016 and over 33% more than in Q1 2016.
- In September 2016, the average CIF ARA price amounted to USD 63.15 per tonne, which represents an increase of about 18% as compared to September 2015, and an increase of almost 38% as compared to the beginning of 2016.
- Between January 2011 and September 2016, the CIF ARA price decreased by about 49%, while the average price in September 2016 (USD 60.34 per tonne) is the highest average price since December 2014.
- At the end of September, there were about 3.4 million tonnes of coal in the ARA ports, which shows a decline by about 2.7 million tonnes as compared to September 2015. In comparison with the end of June 2016, the amount of coal increased by 0.5 million tonnes.
- The coal price also went up in other major ports in the world, and at the end of September reached the following amounts:
 - FOB Baltic Ports - USD 67.83 /tonne, ca. 54% growth
 - FOB Richards Bay - USD 73.50 /tonne, ca. 47% growth
 - FOB Newcastle - USD 80.20 /tonne, ca. 58% growth
 - FOB Puerto Bolivar - USD 66.00 /tonne, ca. 42% growth
- In Q1-Q3 2016, about 488 million tonnes of coal were produced in US (decrease of about 22% y/y)
- In Q1-Q3 2016, about 2.5 billion tonnes of coal were produced in China (decrease of about 11% y/y)
- In Q1-Q3 2016, China imported about 180 million tonnes of coal (increase of over 15% y/y)
- In Q1-Q3 2016, Russia produced about 284 million tonnes of coal (increase of about 6% y/y)
- In Q1-Q3 2016, Ukraine produced about 23 million tonnes of coal (decrease of about 2% y/y)
- October 2016 saw further significant increase in the coal price in all major ports.

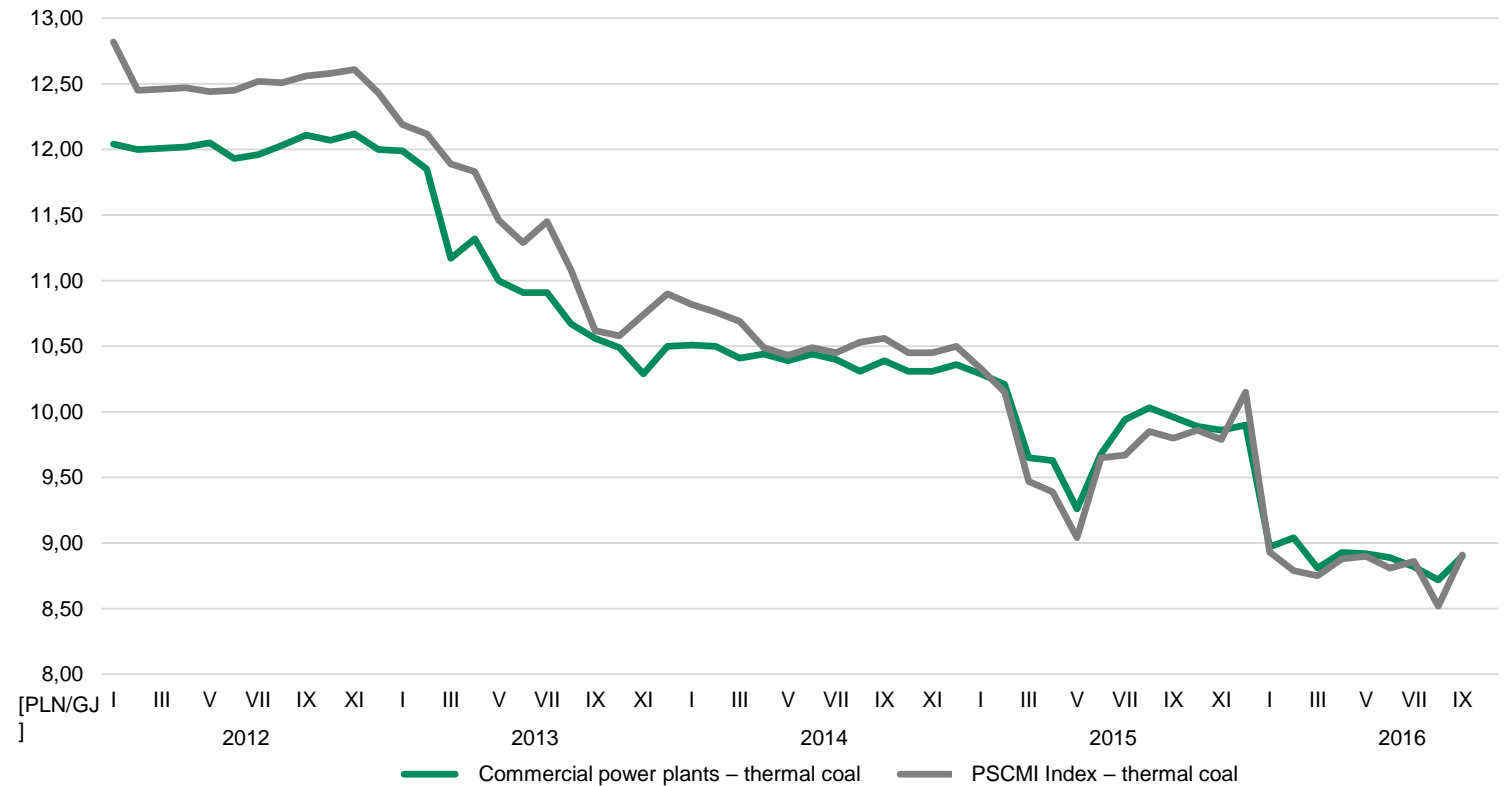


Sources: ARP, TGE, www.polskirynekwegla.pl



Decline in fine thermal coal prices and PSCMI index in Poland’s market between January 2012 and end of Q3 2016

- In the period between January and September 2016, the average price of fine thermal coal for commercial power plants was PLN 8.89 per GJ;
- The average price of fine thermal coal for commercial power plants decreased by about 9.8% y/y in the nine months of 2016;
- In 2015, the average annual price of fine thermal coal for commercial power plants was PLN 9.85 per GJ;
- Average heating value of fine coal for commercial power plants is about 21.4 GJ;
- The price of fine coal for commercial power plants declined by about 26% between January 2012 and September 2016;
- In the period between January and September 2016, the average price based on the PSCMI index was PLN 8.91 per GJ, which represents a decrease of over 10% in comparison to the same period of 2015;
- In 2015, the average price based on the PSCMI index was about PLN 9.76 per GJ.



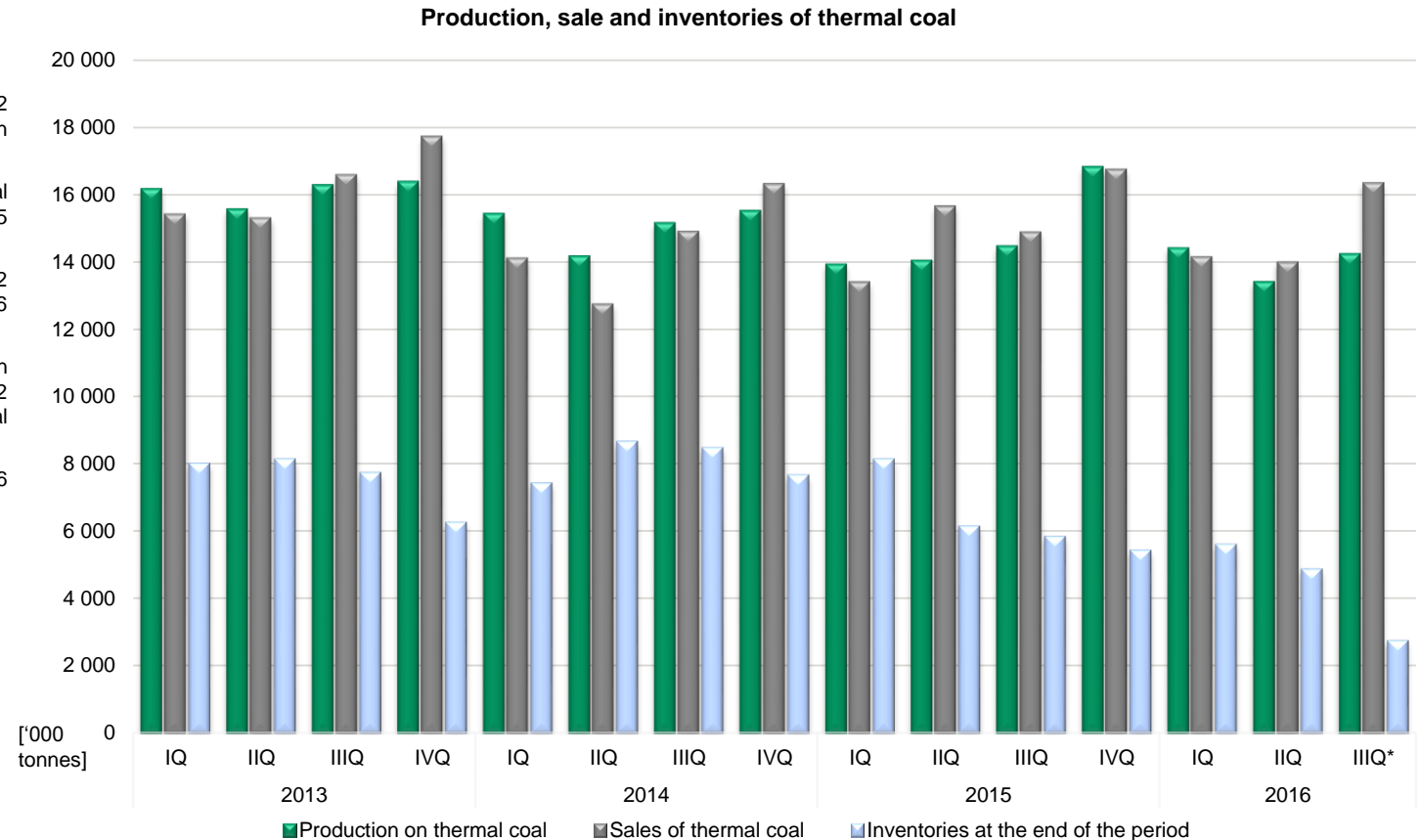
Sources: ARP, TGE, www.polskirynekwegla.pl



Production, sales and inventories of thermal coal at the end of Q3 2016 in the domestic market

Situation in Poland:

- In the period between January and August 2016, about 37.2 million tonnes of thermal coal were produced, which is 0.1 million tonnes less than in the same period of 2015.
- In the period between January and August 2016, sales of thermal coal amounted to nearly 36.8 million tonnes, which is about 1.5 million tonnes less than in the same period of 2015.
- In 2015, the production of thermal coal amounted to about 59.2 million tonnes, while the production by the end of August 2016 amounted to about 37.2 million tonnes.
- Sales in 2015 amounted to about 60.6 million tonnes (36.8 million tonnes were sold by the end of August 2016), including about 34.2 million tonnes of thermal fine coal acquired by the commercial power plants.
- The level of coal stocks at the end of August 2016 totalled 5.6 million tonnes.



Sources: ARP, TGE, www.polskirynekwegla.pl

*data for September estimated on the basis of available market information



Production, sales and inventories of thermal coal at the end of Q3 2016 in the domestic market

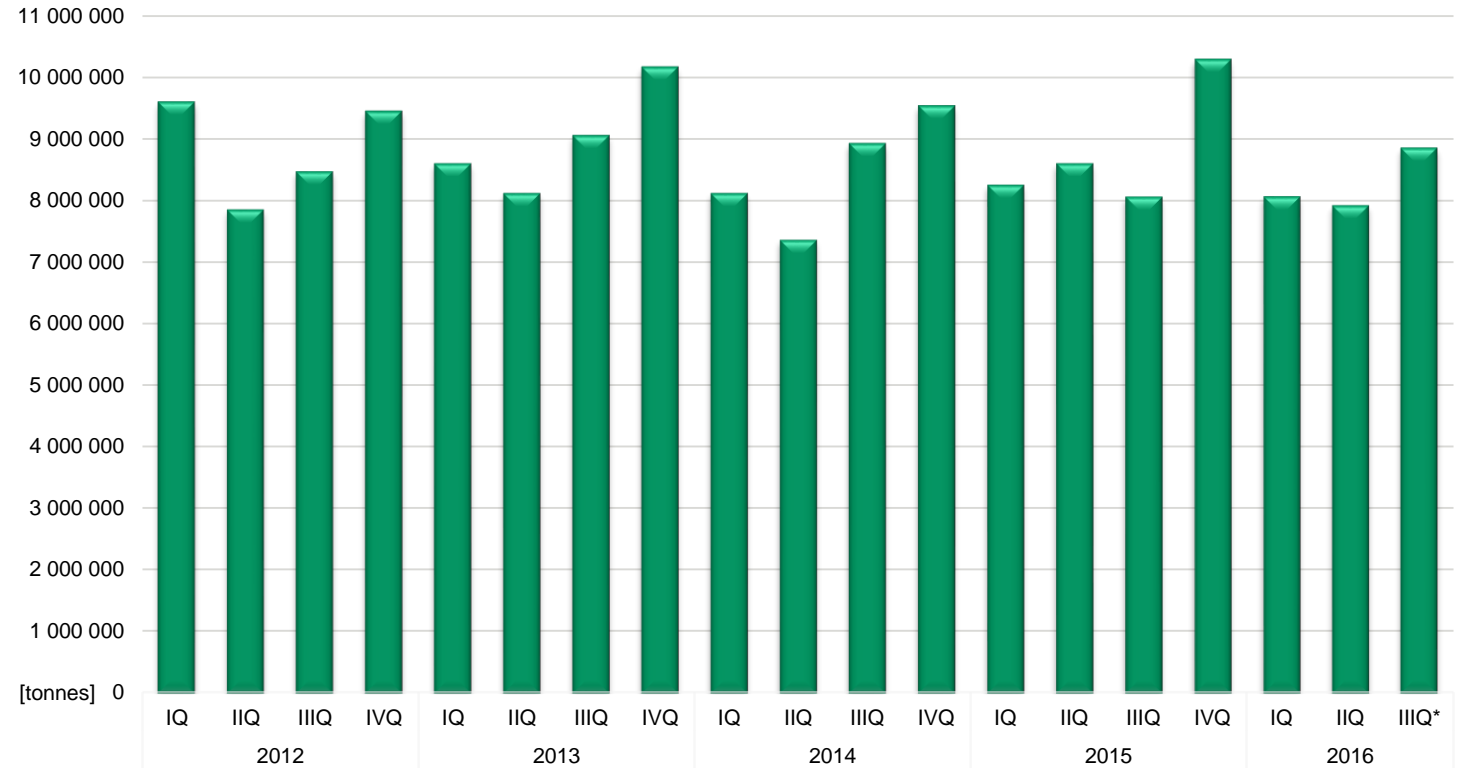
Commercial power plants are the main recipients of thermal coal in Poland. In 2015, they bought about 34.2 million tonnes of thermal fine coal.

In the period between January and August 2016, about 21.2 million tonnes of fine thermal coal were sold to commercial power plants.

Key customers within commercial power plants are as follows:

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

Sales of thermal coal to commercial power plants



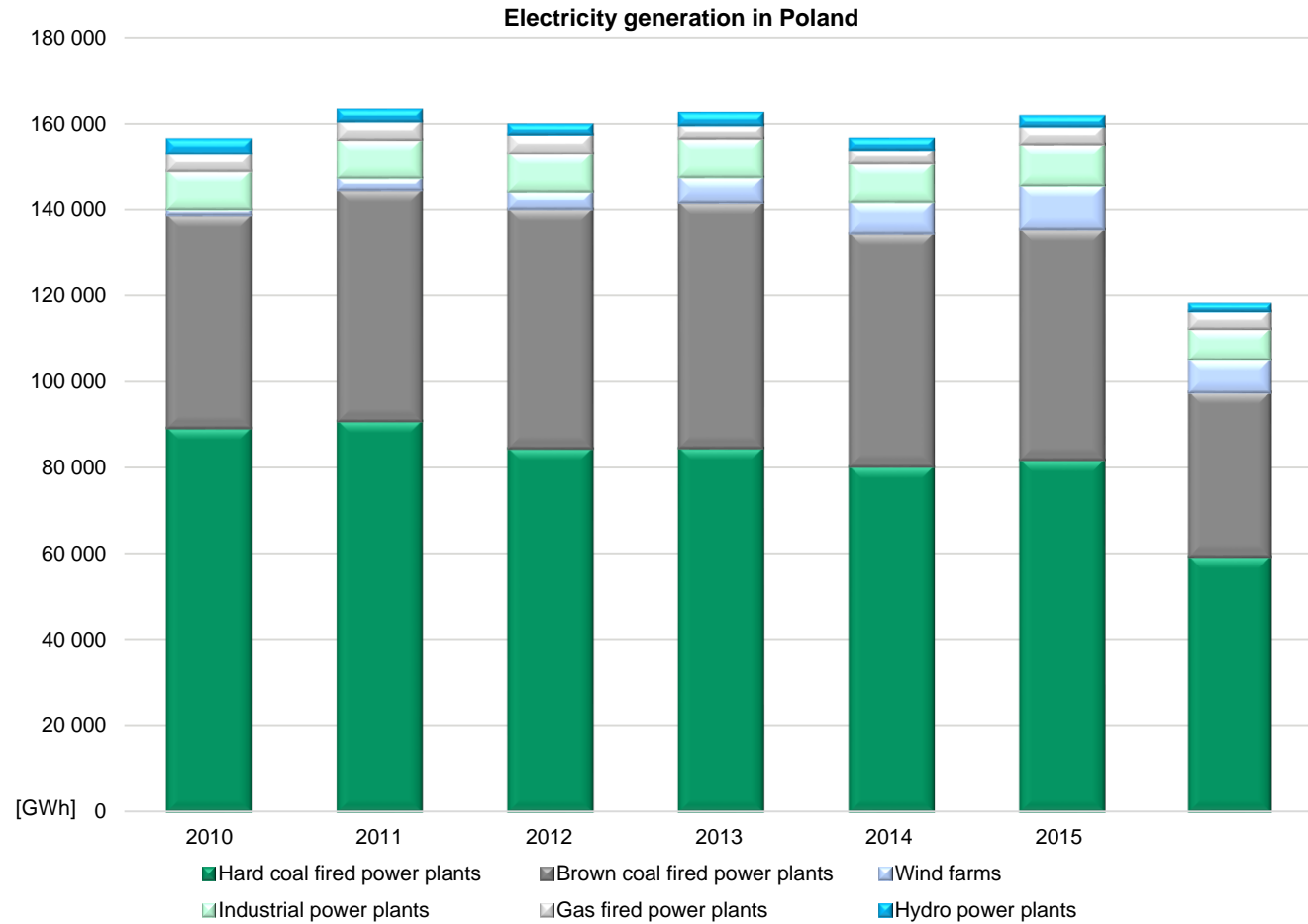
Sources: ARP, TGE, www.polskirynekwegla.pl

*data for September estimated on the basis of available market information



Electricity generation in Poland

- In the period between January and September 2016, the production of electricity totalled about 121,200 GWh, i.e. more by almost 2% versus the same period of 2015.
- Hard coal was used to produce 59,427 GWh, which accounted for about 51% of the entire electricity production. In comparison with the same period of the previous year, electricity production based on hard coal declined by about 2%.
- The share of lignite in electricity production in the period between January and September was about 31%, which represents a decrease of about 6% compared to the same period of the previous year.
- There was a significant growth in foreign trade balance in the three quarters of 2016 (in Q1-Q3 2016, it amounted to 2,857 GWh as compared to 125 GWh in Q1-Q3 2015).



Sources: ARP, TGE, www.polskirynekwegla.pl



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 activities is included in the report for the first half of 2016. Below please find the risks which in the opinion of the Company are the most important in the perspective of the next (fourth) quarter.

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

Plans of the Ministry of Energy 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. 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 establishment of the Polish Mining Group as a successor to Kompania Węglowa S.A. 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.

Similarly, there is uncertainty as to the final shape of Polski Holding Węglowy which is to be established based on Katowicki Holding Węglowy. Neither do we know the future of the mines earmarked for closure through incorporation into SRK.

The Company monitors the process of implementing the restructuring programme in the Silesia region, and reacts on a case-by-case basis to any turbulence the programme might cause on the market.

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

The levels of prices of raw materials for power production, mainly including the prices of power coal and raw materials which constitute an alternative to power coal (crude oil, natural gas, renewable sources) on global markets and therefore on the domestic market, have key significance for the activities conducted by the Group, and especially for the activities conducted by LW Bogdanka S.A. High level of coal inventories faced by both global and domestic producers due to a decrease in demand (which is, among other things, due to economic slowdown in China) and a decrease in coal and crude oil prices on the international market that we observed over the last years may exert great influence on the change in the demand for fuel, and consequently, on the change in prices of coal and energy on the domestic market, which may affect the financial results of the Group. The Group, especially LW BOGDANKA S.A., 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.

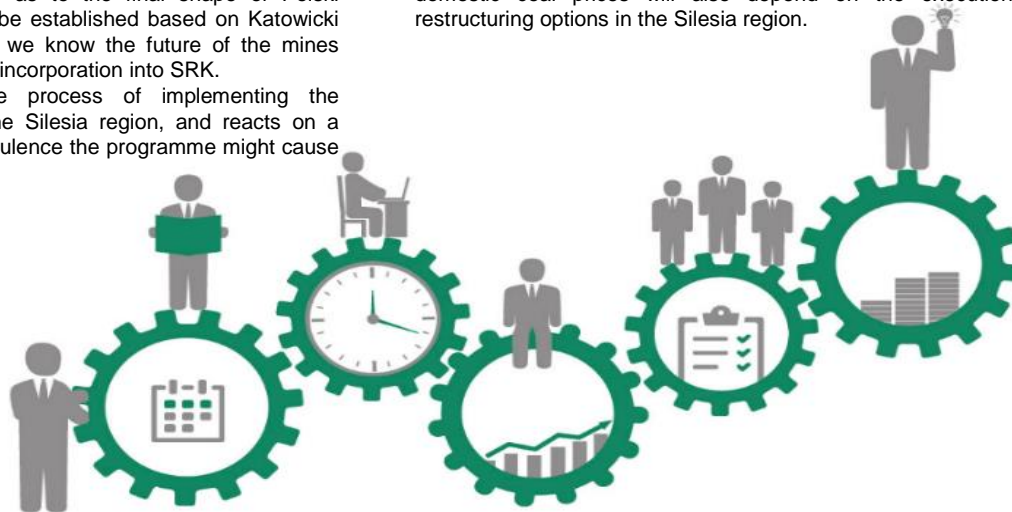
Key customer risk factors

A 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.

As far as business activities are concerned, the LW Bogdanka Group manages the risks of long-term contracts by analysing the situation and the forecasts related to the market of coal sales to the power sector, by cooperating with reputable institutions that analyse the market of energy raw materials, and by working with 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.

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 in the Silesia region and possible attempts to ensure that the Silesian coal is sold. If the market regains its equilibrium, this risk will be considerably lower as LW Bogdanka S.A. 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.

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 beyond 2050. Mid 2016 saw the completion of drilling works under the prospecting license for the "Ostrów" area. At the moment, the Company is preparing to submit an application for a mining licence for that area. Meanwhile, the Company also continues its efforts to obtain mining licences for the K-6 and K-7 area, and the "Orzechów" area.

Technical and technological 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 associated with the effect of unplanned stoppages caused by serious malfunctions on the volume of production and therefore on the financial results achieved by the Group in the future.

The Company conducts intensive research and development work aimed at increasing the productivity of its operations, introducing solutions with a high degree of technical and technological reliability and increasing the safety of the work environment. Those projects have significantly reduced its technical and technological risk.

In this group of risk factors, there is also the risk of unexpected, usually local, deterioration of the quality of the deposit, for example due to reduction of the thickness of the seam, uncovering waste rock concentrations or waviness of the seam, which will result in deterioration of the coal (an increase in amount of stone mined with the coal). One more possible risk factor is a

deterioration of geological conditions resulting in periodical drops in the level of extraction, despite achieving the planned coal output and incurring increased mining costs.

Factors associated with the strong position of the trade unions in the Group

Trade unions hold a significant position in the hard coal mining sector and play an important role in determining staff and payroll policy, frequently forcing renegotiations of wage policy through protest actions. As at the day of submitting this Report, six trade union organisations operate at the Group associating in total 64.13% of the Group's employees (there are four trade union organisations at LW Bogdanka S.A. associating 70.73% 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 could affect the operating activities of the LW Bogdanka Group.



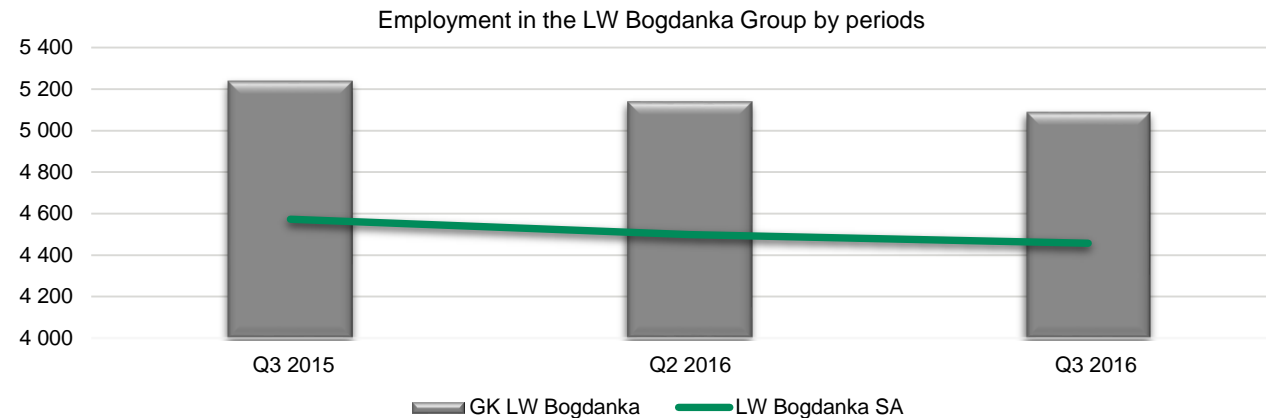
Workforce changes

Workforce of the Group

In the third quarter of 2016, employment at the Group decreased by 51 people, i.e. by 1.0% compared to the level of employment at the end of the second quarter of 2016. Employment in the third quarter of 2016 decreased by 149 people, i.e. by 2.9%, compared to the level of employment at the end of the third quarter of 2015. The decrease in employment results from the necessity to adjust the manpower to the current production needs of the Group.

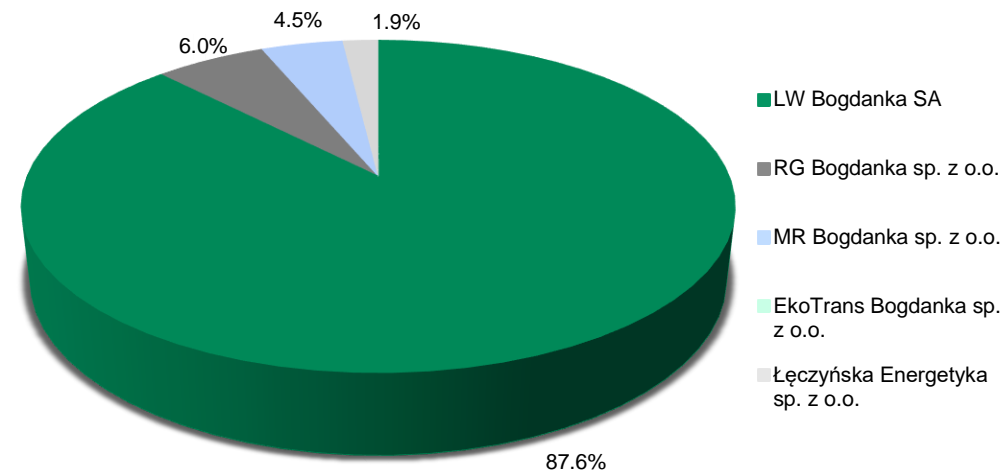
Workforce of the Parent

LW Bogdanka S.A. hired 38 employees in H1 2016 and 12 employees in Q3 2016, which makes a total of 50 new employees. At the same time, 93 employees and 54 employees left the Company in H1 2016 and Q3 2016, respectively. In total, 147 employees left LW Bogdanka S.A. in the period of the three quarters of 2016 (most of them retired).



Employment	30 Sep. 2015	30 Jun. 2016	30 Sep. 2016	Workforce structure at the Group	Change Q3 2016/ Q3 2015	Change Q3 2016/ Q2 2016
Workforce at the Group calculated per full-time employees						
Workers in total	3,943.0	3,885.0	3,847.0	-	-2.4%	-1.0%
Underground workers	2,983.0	2,942.0	2,912.0	-	-2.4%	-1.0%
Surface workers	960.0	943.0	935.0	-	-2.6%	-0.8%
Full-time employees underground	315.0	307.0	304.0	-	-3.5%	-1.0%
Full-time employees on the surface	314.6	307.6	307.0	-	-2.4%	-0.2%
Total underground	3,298.0	3,249.0	3,216.0	-	-2.5%	-1.0%
LW Bogdanka S.A.	4,572.6	4,499.6	4,458.0	87.6%	-2.5%	-0.9%
RG Bogdanka sp. z o.o.	334.0	318.0	305.0	6.0%	-8.7%	-4.1%
MR Bogdanka sp. z o.o.	223.5	218.0	224.6	4.5%	0.5%	3.0%
EkoTrans Bogdanka sp. z o.o.	2.0	2.0	2.0	0.0%	0.0%	0.0%
Łęczyńska Energetyka sp. z o.o.	104.5	100.5	97.5	1.9%	-6.7%	-3.0%
LW Bogdanka Group	5,236.6	5,138.1	5,087.1	100.0%	-2.9%	-1.0%

Employment structure in the LW Bogdanka Group divided into Companies





Company's cooperation with representatives of the employees and local community

The dominant values cherished by LW Bogdanka S.A. 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 implementing the "Corporate Social Responsibility Strategy for 2014-2017". In a nutshell, the approach to social responsibility management can be defined as follows: "Safety of workforce, protection of local community and natural environment. Sustainable and foreseeable development and growth in value of the Company". Actions undertaken within the Strategy correspond to the following 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 the local community;
- to follow transparent and responsible management practices.

While implementing CSR projects, LW Bogdanka S.A. is guided by the recommendations of the PN-ISO 26000 standard, which was developed in 2010 by the International Organisation for Standardisation, and constitutes a guide for organizations as to 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 sessions with trade unions;
- environment;
- fair operating practices;
- consumer-related issues;
- social involvement and development of the local community.

Reporting

In June 2016, LW Bogdanka S.A. published the Group's Integrated Report for 2015, once again developed in line with the GRI Guidelines, G4.



The Report includes both financial and non-financial performance, and takes account of parameters specific to the mining industry.

The Report for 2015 covered all subsidiaries: (MR Bogdanka sp. z o.o., RG Bogdanka sp. z o.o., EkoTrans sp. z o.o., Łęczyński 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.

The Integrated Report of the LW Bogdanka Group for 2015 received the Main Award and the Award of the Minister of Economic Development in the 10th edition of the Contest for Social Reports organised by the Responsible Business Forum and Deloitte.

The Company is one of the leaders in the area of non-financial reporting, which is also evidenced by the fact that the Company was actively involved in the works on the "Handbook for Report Makers", prepared by a working group for monitoring CSR trends which operated within the Team for Social Responsibility of Enterprises (an auxiliary body of the Minister of Economy). The Handbook was published in April 2016. It offers a review of the latest non-financial reporting standards, talks about the benefits of applying such standards, and provides easy-to-read guidance on how to prepare yourself for social reporting.

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, Corporate Risk Management Model at the Company – ERM Procedures, LW Bogdanka Risk Register, LW Bogdanka Risk Map, List of Strategic Risks of LW Bogdanka S.A., and Programs of Strategic Risk Mitigating Measures at the Company
- Integrated Management System – operational management

at LW Bogdanka S.A. is based on an integrated system compliant with the following standards: PN-EN ISO 9001:2009, PN-EN ISO 14001:2005, 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 Baczewska-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 currently applicable documents are as follows: "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".

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.

Company's cooperation with representatives of the employees and local community

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.



Lubelski Węgiel Bogdanka S.A., in cooperation with the Polish Society for the Protection of Birds (OTOP), created and administers the "Nadrybie" educational path,

which runs around the Nadrybie Lake, an 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 which is protected by the Natura 2000 network.

The trail was set out on the path with educational boards, a survey of the fauna and flora was conducted and a guide for self-sightseeing was published and made available to the public free of charge.

"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 Protection of Birds.

The inhabitants of the nearby villages use this infrastructure to spend time in the natural environment. Many groups of students from nearby schools visit the educational path in Nadrybie to attend special natural science lessons and extra-curriculum classes.

Relations with the local community

From the very beginning of its existence, LW Bogdanka S.A. has been supporting the local community, including a wide range of 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 Company also sponsors sports and cultural activities.

In the period of the three quarters of 2016, in order to improve the safety of employees and all inhabitants of the region, the Company co-funded such projects as the purchase of a fire rescue vehicle for the Volunteer Fire Brigade in Turowola-Kolonia (near Bogdanka) and the purchase of a specialised hearing test equipment for the SPZOZ hospital in Łęczna. In the period in question, LW Bogdanka S.A. made 19 donations in cash and in kind in the total amount of PLN 338,805.

The Inter-Sectoral Agreement for Life and Health – Lubelski Węgiel Bogdanka S.A., the Solidary Miners Foundation and the Regional Blood Centre in Lublin (RCKiK) continue to fulfil their obligations resulting from a tripartite agreement signed in 2015 dedicated to the promotion of voluntary blood donation, blood transfusion and registration with the bone marrow donors bank.

With the managers of LW Bogdanka S.A. in mind, a meeting was held in April concerning blood donation and transfusion, as well as the bank of unrelated donors of bone marrow.



The organisers aimed to increase the mining facility managers' awareness of the above mentioned issues, increase their involvement, and popularise the blood and bone marrow donation movement.

The partners also co-organised a blood collection campaign in Cyców and supported a promotion and information campaign concerning blood donation and bone marrow donation addressed to the local community.

The goal of the Inter-Sectoral Agreement is to implement an educational and volunteer programme under which the Company's staff and the local community becomes involved 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. Blood and marrow donation campaigns are organised regularly within the mine's premises *and in the surrounding communes, along with an open day for blood donations. In addition, information and educational materials are distributed.*

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 and their families, accident victims, or persons in a difficult situation.

Acting with an aim to fulfil its statutory objectives, the Foundation has financed surgeries, medical procedures, treatment, and rehabilitation, 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.

During the three quarters of 2016, the costs of statutory activities amounted to PLN 144,000, which included:

- scholarships for good marks at school, special and social scholarships – about PLN 9,000;
- subsidies for medical treatment and medical equipment – about PLN 82,000;
- rehabilitation – PLN 26,000;
- help provided to educational, care and nurture institutions – PLN 27,000.

The Foundation joined the August campaign "Schoolbag Full of Smile" by providing organisational support for a charity event which took place on the premises of the mine.

Company's cooperation with representatives of the employees and local community

Employee volunteering

Charity fundraising on Bogdanka's premises – in the period of the three quarters of 2016, there were several charity events organised to support the people in need.



The first one was the "Great Power of Helping Others" - an action of collecting the basic necessities for the youth of the Shelter for Minors in Dominowo. The Company's employees provided more than 300 kg of gifts, including food and school materials. What is more, children under the care of the Shelter visited the mine under the "People of Interesting Professions" programme.



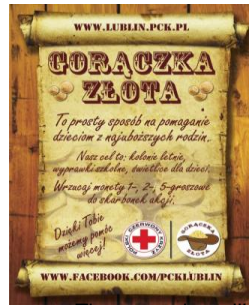
"Schoolbag Full of Smile" – at the invitation of ENEA S.A., LW Bogdanka S.A. has for the first time joined the "Schoolbag Full of Smile" campaign. The campaign, organised by Caritas Poland, consisted in collecting school materials necessary to prepare school starters for thousands of schoolchildren from the poorest families. The Company's employees prepared several dozen school starters for the children of the Lublin region.



Charity collection of waste paper – funds raised from the sale of waste paper collected by the employees were transferred to the "Treasury of Good Upbringing", a scholarship fund for the talented schoolchildren maintained by the Happy Childhood Foundation.



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 9 months we collected several hundred kilograms of plastic caps.



The campaign will run until June 2017.

Other CSR Projects



C-Zone Education – there is a dedicated educational zone at the mine, where we organise lessons and tours of the exhibitions, during which we talk about the mining traditions, customs and the characteristics of work at the mine. We share our traditions, knowledge and history with everyone interested.



Mine Close to Nature – a contest, the aim of which was to promote eco-friendly attitudes, respect for the environment, and to show that the Mine is part of the day-to-day activities of the local community.



"Bogdanka's Photographic Passion – 2017 Calendar" – a contest for the Company's aficionados of photography held between April and August 2016. Selected photographs will be included in the Company's next year calendar.



Support for Amelia the Dreamer – the Company's employees decided to support the campaign organised to help Amelia Dobek from Lublin who suffers from retinoblastoma – we organised a fundraising event, and apart from the donation, we also put up a mining lamp and a visit to the mine for charity auction. In total Bogdanka raised more than PLN 10,000 for Amelia.

Awards and accolades



Five best practices made it into the "Responsible Business in Poland. Best Practices 2015".



A distinction for the project of the Nadrybie Nature Trail in the Contest "I Report to Poland - A Ranking of Socially-Responsible Companies".



A distinction in the 19th edition of the "Benefactor of the Year" in the category "Social Project - Large Company" as a result of a nomination by the Polish Society for the Protection of Birds.



Membership in the WSE group of companies that create the RESPECT Index.



The Main Award and the Award of the Minister of Economic Development in the 10th edition of the Contest for Social Reports organised by the Responsible Business Forum and Deloitte for the Integrated Report of the LW Bogdanka Group for 2015.



Award winner in the 2016 Top Employers of Eastern Poland contest - title of the best employer of the Lublin Province.. The award was presented during the Third Eastern Economic Congress in Białystok.



The title of the "Leader of Safety in Industry" - a distinction granted every year to companies, enterprises and institutions in Poland in recognition of their achievements and innovative solutions in the area of ensuring safety in industry. The awards are presented during the International Risk Engineering Days Conference.



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 (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 amendments introduced to the Articles of Association oblige the Parent to conduct activities aimed at implementation of the mission and strategy of the ENEA Group, which define the interest of the ENEA Group.

The LW Bogdanka Group monitors on an ongoing basis the level of costs, ratios and the value of accumulated cash. Current debt (bonds issued by the Parent and a loan from the Regional Environmental Protection Fund and Water Management for Łęczyńska Energetyka), plus cash held, guarantee the financing on an on-going basis.

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 (including new excavation planning, extraction and sale of commercial coal) take into account existing and future market risks. Works to prepare new excavations for operational exploitation are carried out in such a manner so as 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 third quarter of 2016, the production of commercial coal in the Parent increased by 17.6% compared to the same period of 2015 and amounted to 2,397,000 tonnes. In the period from January to September 2016, the production of commercial coal was 6,682,000 tonnes, i.e. it was more by 12.7% than in the same period of 2015.

Production of commercial coal by the Parent

['000 tonnes]	Q1-Q3 2015	Q1-Q3 2016	Change	Change %
Production of commercial coal	5,930	6,682	752	12.7%
['000 tonnes]	Q3 2015	Q3 2016	Change	Change %
Production of commercial coal	2,039	2,397	358	17.6%

Structure of commercial coal production by the Parent

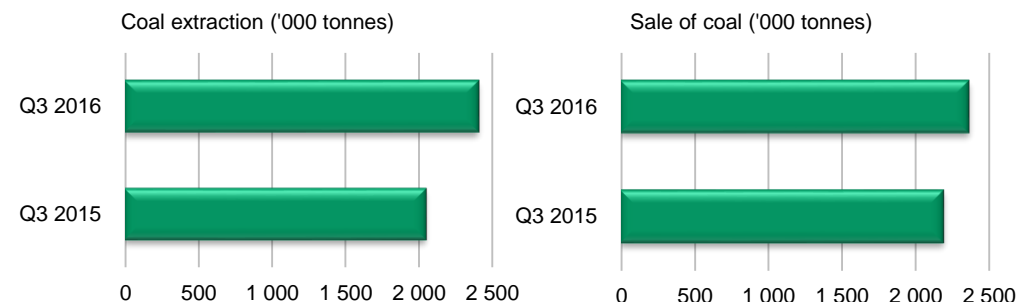
[%]	Q3 2015	Q3 2016	Q1-Q3 2015	Q1-Q3 2016
Fine coal	98.3%	98.1%	98.5%	98.7%
Nut coal	0.9%	1.1%	0.5%	0.7%
Pea coal	0.8%	0.8%	1.0%	0.6%
Total	100.0%	100.0%	100.0%	100.0%

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. 98-99%).

In the third quarter of 2016 the sales of coal increased by 7.9% compared to the third quarter of 2015. In the period between January and September 2016, the sale of commercial coal amounted to 6,739,000 tonnes, i.e. by 12.2% more than in the same period of 2015.

Commercial coal sales at the Parent

['000 tonnes]	Q1-Q3 2015	Q1-Q3 2016	Change	Change %
Sale of commercial coal	6,008	6,739	731	12.2%
['000 tonnes]	Q3 2015	Q3 2016	Change	Change %
Sale of commercial coal	2,187	2,360	173	7.9%





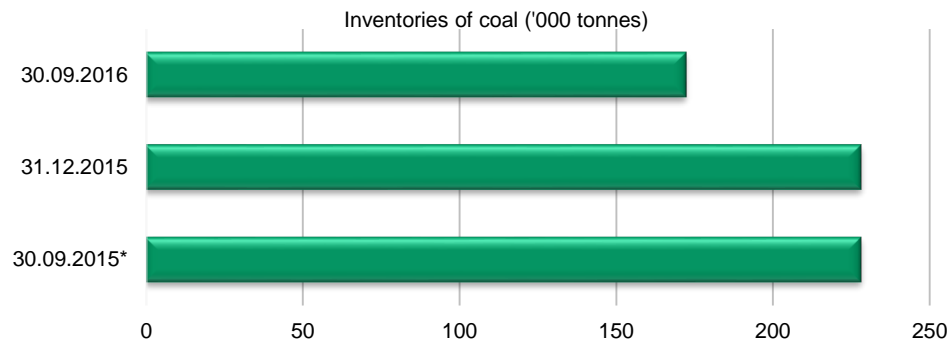
Revenue and key customers

As at the end of Q3 2016, the inventories of coal at the Parent amounted to 172,000 tonnes which means a drop by 56,000, or by 24.6%, compared to 31 December 2015. The level of coal inventories as presented for the end of Q3 2016 corresponds to approx. five days of commercial coal production (on the basis of an average 9-month daily production).

Inventories of coal

['000 tonnes]	30 Sep. 2015*	31 Dec. 2015	30 Sep. 2016	Change [%] (30 Sep. 2016/ 30 Sep. 2015)	Change [%] (30 Sep. 2016/ 31 Dec. 2015)
Inventories of coal	228	228	172	-24.6%	-24.6%

*The presented level of inventories as at 30 September 2015, took into account a coal deposit (23,000 tonnes) for one of the customers. This deposit was accounted for in total by the Parent (supplied to customer) by the end of Q4 2015.



The information on coal market in Poland is presented in the Directors' Report on Operations of the LW Bogdanka Group for Q3 2016 on pages 10-14.

Revenue and key customers

In the third quarter of 2016, the LW BOGDANKA Group generated revenue of PLN 465,442,000, which means a decrease by 3.7% compared to the third quarter of 2015. The revenue for the period between January-September 2016 amounted to PLN 1,314,387,000, compared to PLN 1,326,984,000 in the same period of 2015.

The main source of revenue on sales of the LW Bogdanka Group both in Q3 and three quarters 2016 was the production and sale of thermal coal performed by the Parent. In each of the compared reporting periods, this activity generates about 96-97% of the 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 30 September 2016 was adjusted by PLN 49,074,000, while in the same period of the previous year – by PLN 48,628,000.

More than 96% of coal sales (in terms of value) in the period from 1 January 2016 to 30 September 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 first nine months of 2015 the share of the above customers in coal sales stood at a level of approx. 92%.

Dynamics of changes in product range with respect to revenue

[PLN '000]	Q3 2015	Q3 2016	Change	Change %	Q1-Q3 2015	Q1-Q3 2016	Change	Change %
Sale of coal	466,584	453,005	-13,579	-2.9%	1,272,027	1,272,657	630	0.0%
Other activities	13,208	9,609	-3,599	-27.2%	44,893	32,548	-12,345	-27.5%
Sale of goods and materials	3,351	2,822	-529	-15.8%	8,939	9,057	118	1.3%
Sale of ceramics	281	6	-275	-97.9%	1,125	125	-1,000	-88.9%
Total revenue	483,424	465,442	-17,982	-3.7%	1,326,984	1,314,387	-12,597	-0.9%

In the period from 1 January 2016 to 30 September 2016, income on other operations (which includes the revenue of subsidiaries) amounted to PLN 32,548,000 compared to PLN 44,893,000 in the same period of the previous year. In Q3 2016 revenue on other operations were PLN 9,609,000 (2.1% of total revenue), compared to PLN 13,208,000 (2.7% of revenue) in the analogous period of 2015 (-27.2% 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 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).



Sales and costs by type of LW Bogdanka S.A.

The share of revenue from the sale of goods and materials in the third quarter as well as in the period between January and September of 2016 and 2015, was 0.7%. 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 change in revenue in this group.

Revenue - structure by product types

[%]	Q3 2015	Q3 2016	Q1-Q3 2015	Q1-Q3 2016
Sale of coal	96.5%	97.3%	95.8%	96.8%
Other activities	2.7%	2.1%	3.4%	2.5%
Sale of goods and materials	0.7%	0.6%	0.7%	0.7%
Sale of ceramics	0.1%	0.0%	0.1%	0.0%
Total revenue	100.0%	100.0%	100.0%	100.0%

The activities of the Group are largely focused on the Polish market - the share of export sales in the total revenue did not exceed 0.5% in any of the analysed periods, and primarily referred to the export of coal.

Geographical structure of revenue

[PLN '000]	Q3 2015	Structure	Q3 2016	Structure	Q1-Q3 2015	Structure	Q1-Q3 2016	Structure
Domestic sales	483,364	100.0%	463,521	99.6%	1,324,241	99.8%	1,311,477	99.8%
Export sales	60	0.0%	1,921	0.4%	2,743	0.2%	2,910	0.2%
Total revenue	483,424	100.0%	465,442	100.0%	1,326,984	100.0%	1,314,387	100.0%

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, in accordance with the formula presented, reflect the use of a given production means or resources (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 with its own funds (incl. longwall galleries) and in the future, following the completion and settlement of a given investment task, they will be activated and depreciated as non-current assets, constituting depreciation costs of the period in question.

Costs by type

Q3

In Q3 2016, LW Bogdanka S.A. incurred costs by type in the amount of PLN 425,612,000 (PLN +7,209,000 y/y), i.e. by 1.7% higher than in Q3 2015. The increase in costs noted in Q3 2016 was largely influenced by higher consumption of materials and energy, outsourced services and employee benefits as well as taxes and charges, with a concurrent decrease in the amortisation.

The value of depreciation/amortisation went down by 4.8% (to PLN 87,420,000) – depreciation/amortisation of non-current assets decreased (as a result of impairment charges of property, plant and equipment and intangible assets made in Q4 2015 and a longer period of using certain assets, which translated into smaller base for depreciation/amortisation) with a simultaneous increase in activity depreciation (higher extraction y/y).

Total cost of materials and energy consumption went up by 4.2% (PLN +4,052,000) compared to the third quarter of 2015, and totalled PLN 100,951,000. In the period under analysis, a drop was recorded in the value of electrical materials and fuel used, whilst the value of materials used for the construction of new underground infrastructure construction and the functioning of the Mechanical Coal Processing Plant (MCP) increased. 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 higher unit purchase price.

Compared to Q3 2015, the value of outsourced services in Q3 2016 went up from PLN 94,580,000 to PLN 97,708,000 (+3.3%). In the period under analysis the value of mining services (including work on Saturdays and Sundays and drilling of excavations) increased, with the concurrent drop in the value of transport services (due to a lower sales of coal to those customers, where LWB was responsible for providing transport), and other outsourced services (including cost of R&D and expert assessments).

In Q3 2016, compared to Q3 2015, the value of employee benefits increased by PLN 1,958,000. In Q3 2016 an average employment dropped compared to the same period of 2015, and at the same time an average monthly remuneration went up (due to a one-off payment to the employees), and simultaneously in Q3 2016 a write-off to the Company Social Benefit Fund in the amount of PLN 6,500,000 was not made (it was made in Q2 2016), while in 2015 such a write-off was made in the third quarter.

The value of taxes, fees and charges went slightly up in Q3 2016 to PLN 10,661,000 from PLN 9,506,000 in Q3 2015 – the exploitation fee (in relation to an increased mining) and payments to the National Disabled Persons Rehabilitation Fund increased.

The value of other costs in Q3 2016 increased from PLN 4,189,000 (in the analogous period of the previous year) to PLN 4,497,000 - main items include lease rents, the Management Board's third party liability, and awards for optimisation and innovativeness.

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, own selling cost was obtained amounting to PLN 399,767,000 for Q3 2016. As compared to the previous year, it is lower by 1.9% (with a simultaneous y/y increase by 7.9% in the amount of coal sold).



Costs by type in LW Bogdanka S.A.

3Qs

In the analysed period of 2016, LW Bogdanka S.A. incurred costs by type in the amount of PLN 1,275,236,000 (PLN +32,291,000 y/y), i.e. by 2.6% higher than in the same period of 2015. The increase in costs recorded in the three quarters of 2016 was influenced by higher consumption of materials and energy, higher value of outsourced services, employee benefits as well as taxes and charges.

The value of depreciation/ amortisation went down by 5.7% (to PLN 263,638,000) – depreciation/ amortisation of non-current assets decreased (as a result of impairment charges of property, plant and equipment and intangible assets made in Q4 2015 and a longer period of using certain assets, which translated into smaller base for depreciation/amortisation) with a simultaneous increase in activity depreciation (higher extraction y/y).

Total cost of materials and energy consumption went up by 7.5% (PLN +21,781,000) compared to three quarters of 2015, and totalled PLN 311,972,000. A detailed analysis of materials groups indicates an increased use of components needed for the construction of the new underground infrastructure (in 3Qs 2016 17.2 km of galleries were constructed compared to 15.5 km in the previous year which means an increase by 11.0%), and an increased use of mining materials (higher extraction) with a simultaneous drop in use of electric materials underground as well as shaft-related materials. 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 higher unit purchase price.

Compared to three quarters of 2015, the value of outsourced services in the same period of 2016 went up from PLN 263,720,000 to PLN 287,606,000 (+9.1%). In the period under analysis, the value of services for works on Saturdays and Sundays increased (in 2016 extraction was performed most often on Saturdays) as well as auxiliary works, with the concurrent drop in drilling and mining works. In the period under analysis the value of transport services dropped due to a lower sales of coal to those customers, where LWB was responsible for providing transport.

In 2016, the value of employee benefits went up by PLN 6,531,000 in comparison with 2015. In the analysed period of 2016 an average employment dropped compared to the same period of 2015, and at the same time additional bonuses were paid to the employees (in Q4 2015 a provision was created for increase in remunerations), which influenced the increase in an average remuneration.

The value of taxes, fees and charges went slightly up in during three quarters of 2016 to PLN 28,628,000 from PLN 26,655,000 in 2015 – the exploitation fee (in relation to an increased mining) and real property tax were higher, with with the concurrent drop in the payments to the National Disabled Persons Rehabilitation Fund.

The value of other costs fell from PLN 20,176,000 (3Qs 2015) to PLN 13,901,000 (3Qs 2016) – primarily due to property insurance (partly because of the recognition, in 2016, of the cost of property insurance policies only for 11 months, compared to 12 months in the analogous period of the previous year, as well as of a drop, by approx. 30%, of insurance rates for underground assets) as well as lower compensation for mining damage.

The result of an adjustment of costs by type by change in inventory of products and accruals and deferrals, the value of activities for the Company's own needs and the costs of goods and materials sold, will give own cost of sales for the three quarters of 2016 amounting to PLN 1,168,160,000. As compared to the previous year, it is higher by 1.4% (with a simultaneous year-to-year increase by 12.2% in the amount of coal sold).

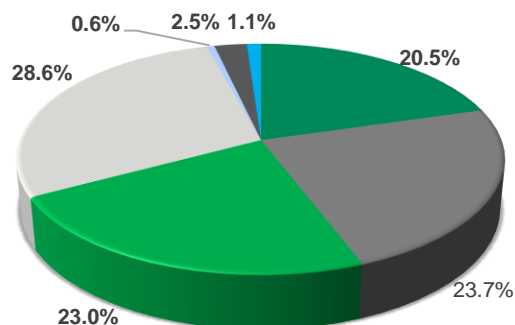
[PLN '000]	Q3 2015	Q3 2016	Change	Q1-Q3 2015	Q1-Q3 2016	Change
Net production [in '000 tonnes]	2,039	2,397	17.6%	5,930	6,682	12.7%
Sales [in '000 tonnes]	2,187	2,360	7.9%	6,008	6,739	12.2%
Amortisation/depreciation	91,805	87,420	-4.8%	279,707	263,638	-5.7%
Materials and energy consumption	96,899	100,951	4.2%	290,191	311,972	7.5%
External services	94,580	97,708	3.3%	263,720	287,606	9.1%
Employee benefits	119,929	121,887	1.6%	356,882	363,413	1.8%
Entertainment and advertising costs	1,495	2,488	66.4%	5,614	6,078	8.3%
Taxes, fees and charges	9,506	10,661	12.2%	26,655	28,628	7.4%
Other costs	4,189	4,497	7.4%	20,176	13,901	-31.1%
Total costs by type	418,403	425,612	1.7%	1,242,945	1,275,236	2.6%
Activities for the Company's own needs	-43,231	-44,613	3.2%	-138,131	-140,641	1.8%
Accruals and deferrals	18,420	29,187	58.5%	41,009	59,990	46.3%
Value of coal obtained from excavations	-15,731	-11,945	-24.1%	-48,628	-49,074	0.9%
Provisions and other presentation adjustments between costs by type and by function	1,257	4,090	225.4%	28,136	6,249	-77.8%
Total costs of production	379,118	402,331	6.1%	1,125,331	1,151,760	2.3%
Change in inventory of products	24,926	-5,369	-121.5%	17,432	7,554	-56.7%
Costs of goods and materials sold	3,338	2,805	-16.0%	8,807	8,846	0.4%
Own cost of sales, including:	407,382	399,767	-1.9%	1,151,570	1,168,160	1.4%
Costs of products, goods and materials sold	372,371	363,466	-2.4%	1,052,136	1,076,028	2.3%
Selling costs	9,245	10,951	18.5%	28,045	29,310	4.5%
Administrative costs	25,766	25,350	-1.6%	71,389	62,822	-12.0%



Costs in LW Bogdanka S.A.

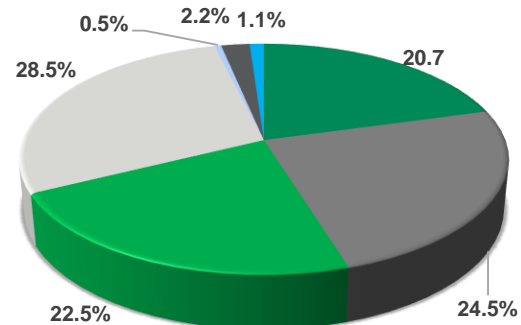
The changes presented in the group of costs by type had an impact on the change in the structure thereof. In Q3 2016 (compared to the same period of the previous year) the share of materials and energy consumption went up (to 23.7%) and so did the share of outsourced services (to 23.0%), while the share of amortisation/depreciation dropped (20.5%). Costs of employee benefits, outsourced services and materials and energy used accounted for almost 75% of costs by type between 1 January 2016 and 30 September 2016, while in the comparable period of 2015 it was almost 74% of total costs of the Company.

Structure of costs by type Q3 2016



- Amortisation/depreciation
- Materials and energy consumption
- Outsourced services
- Employee benefits
- Entertainment and advertising costs
- Taxes, fees and charges
- Other costs

Structure of costs by type Q1-Q3 2016



- Amortisation/depreciation
- Materials and energy consumption
- Outsourced services
- Employee benefits
- Entertainment and advertising costs
- Taxes, fees and charges
- Other costs

In three quarters 2016 (compared to the same period of the previous year), similarly as in Q3 alone, the share of materials and energy consumption and outsourced services went up, while the share of employee benefits and amortisation/depreciation dropped.

Costs by function

Own cost of production sold (by function) in Q3 2016 was PLN 399,767,000 and was lower by 1.9% (PLN 7,615,000) than the cost incurred in Q3 2015 - the decrease y/y is mainly a result of the fact that in 2016 production of PLN 5,369,000 was allocated to inventories, while in Q3 2015, goods worth PLN 24,926,000 were sold from inventories (calculated at technical production cost).

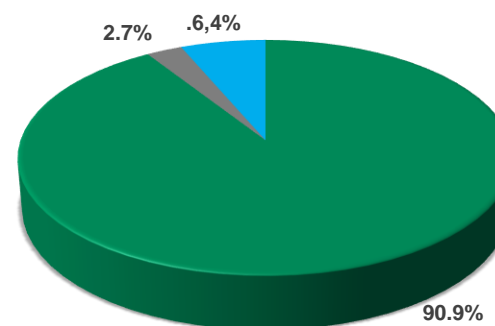
Own cost of production sold (by function) in nine months of 2016 was PLN 1,168,160,000 and was

higher by 1.4% (PLN 16,590,000) than the cost incurred in the same period of 2015 - the increase y/y is mainly a result of higher cost by type of LWB, positive balance of accruals and deferrals, negative balance of provisions and other presentation adjustments, and the fact that in 2016 production worth PLN 7,554,000 was allocated from inventories to the sale (for comparison, in 2015 negative change in products was PLN 17,432,000 - at technical production cost).

Costs by function

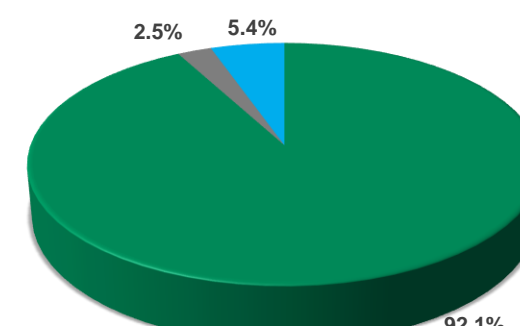
[PLN '000]	Q3 2015	Q3 2016	Change	Q1-Q3 2015	Q1-Q3 2016	Change
Net production [in '000 tonnes]	2,039	2,397	17.6%	5,930	6,682	12.7%
Sales [in '000 tonnes]	2,187	2,360	7.9%	6,008	6,739	12.2%
Costs of products, goods and materials sold	372,371	363,466	-2.4%	1,052,136	1,076,028	2.3%
Selling costs	9,245	10,951	18.5%	28,045	29,310	4.5%
Administrative costs	25,766	25,350	-1.6%	71,389	62,822	-12.0%
Own cost of sales	407,382	399,767	-1.9%	1,151,570	1,168,160	1.4%

Structure of costs by function Q3 2016



- Costs of products, goods and materials sold
- Selling cost
- Administrative costs

Structure of costs by function Q1-Q3 2016



- Costs of products, goods and materials sold
- Selling cost
- Administrative costs



Provisions at the LW Bogdanka Group

Provisions at the LW Bogdanka Group

Balance-sheet provisions

[PLN '000]	30 Sep. 2015	31 Dec. 2015	30 Sep. 2016	Change in Q3 2016/ Q3 2015	Change in Q3 2016/ Q4 2015
Employee provisions	241,245	251,537	258,667	7.2%	2.8%
Provision for real property tax	24,388	23,881	30,264	24.1%	26.7%
Provision for the mine closure costs and reclamation	115,744	130,179	124,221	7.3%	-4.6%
Mining damage	7,527	8,497	7,803	3.7%	-8.2%
Provision for Social Insurance Institution (ZUS) claim for accident contributions	18,396	18,727	19,712	7.2%	5.3%
Other	27,885	29,907	12,377	-55.6%	-58.6%
TOTAL	435,185	462,728	453,044	4.1%	-2.1%

The total provisions as at 30 September 2016 amounted to PLN 453,044,000, which means a drop by 2.1% compared to the value as at the end of 2015 and an increase by 4.1% in relation to the value as at 30 September 2015.

Compared to 31 December 2015, the employee provisions increased by 2.8% and as at 30 September 2016 amounted to PLN 258,667,000 - in relation to revaluation of provisions, the value of provisions for coal allowance, long-service awards and provisions for pensions and retirements has increased. At the same time the provision for an increase in the payroll fund was reduced.

Change in provisions

[PLN '000]	Change in Q3 2015	Change in Q3 2016	Change	Change Q1-Q3 2015	Change in Q1-Q3 2016	Change
Employee provisions	-4,015	-2,100	-47.7%	14,521	7,130	-50.9%
Provision for real property tax	-1,002	2,164	-	1,130	6,383	464.9%
Provision for the mine closure costs and reclamation	2,960	836	-71.8%	-7,841	-5,958	-24.0%
Mining damage	-380	-342	-10.0%	-1,628	-694	-57.4%
Provision for Social Insurance Institution (ZUS) claim for accident contributions	330	329	-0.3%	2,495	985	-60.5%
Other	2,250	147	-93.5%	2,590	-17,530	-
TOTAL	143	1,034	623.1%	11,267	-9,684	-

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

[PLN '000]	Change of provisions in Q3 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	Change disclosed in other comprehensive income	Change disclosed only in the balance-sheet — use of the provision
Employee provisions	-2,100	4,561	1,691	-	-	-8,352
Provision for real property tax	2,164	2,164	-	-	-	-
Provision for the mine closure costs and reclamation	836	546	871	-581	-	-
Mining damage	-342	-	-	-	-	-342
Provision for Social Insurance Institution (ZUS) claim for accident contributions	329	-	329	-	-	-
Other	147	61	86	-	-	-
TOTAL	1,034	7,332	2,977	-581	-	-8,694

[PLN '000]	Change of provisions in Q1-Q3 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	Change disclosed in other comprehensive income	Change disclosed only in the balance-sheet — use of the provision
Employee provisions	7,130	32,162	4,602	-	9,637	-39,271
Provision for real property tax	6,383	6,383	-	-	-	-
Provision for the mine closure costs and reclamation	-5,958	1,610	2,613	-10,181	-	-
Mining damage	-694	-	-	-	-	-694
Provision for Social Insurance Institution (ZUS) claim for accident contributions	985	-	985	-	-	-
Other	-17,530	-8,526	-6,006	-	-	-2,998
TOTAL	-9,684	31,629	2,194	-10,181	9,637	-42,963



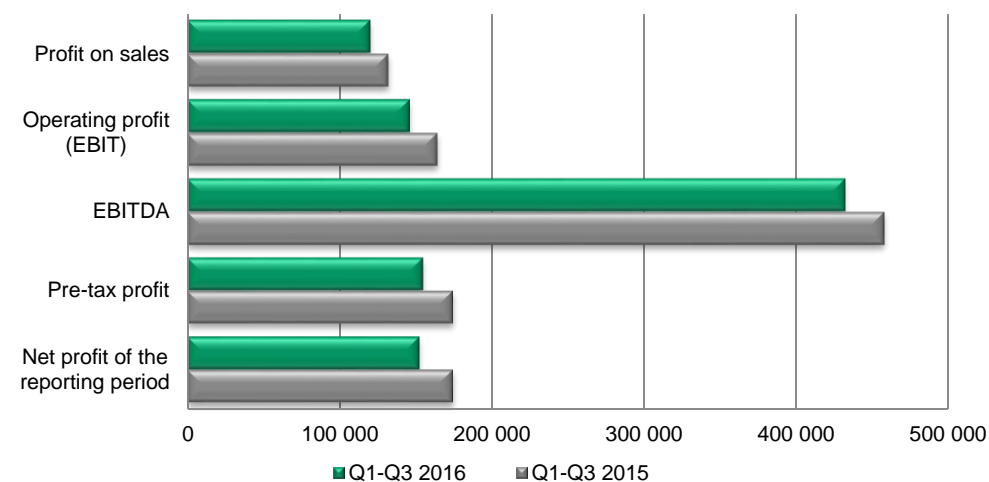
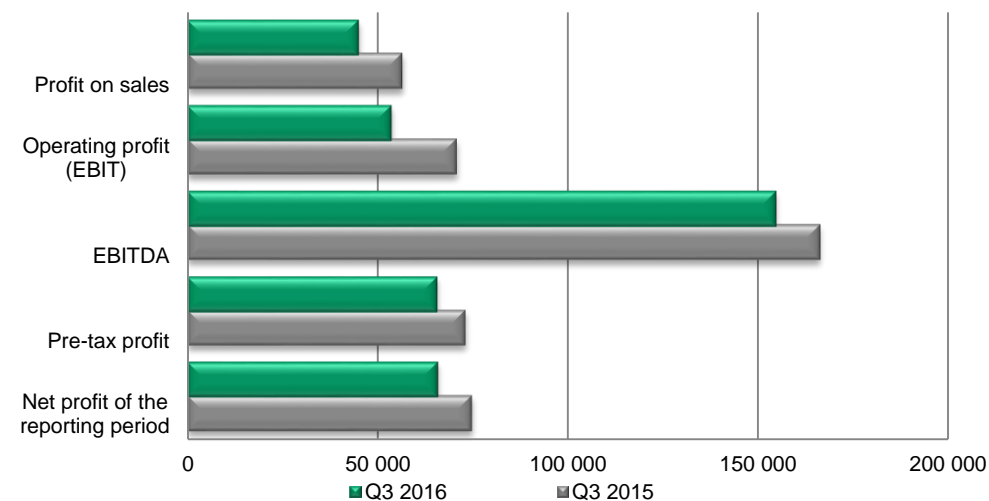
Financial highlights of the LW Bogdanka Group

Selected financial data of the LW Bogdanka Group

Analysis of the consolidated income statement

[PLN '000]	Q3 2015	Q3 2016	Change	Q1-Q3 2015	Q1-Q3 2016	Change
Revenue	483,424	465,442	-3.7%	1,326,984	1,314,387	-0.9%
Costs of products, goods and materials sold as well as selling and administrative costs	408,493	399,500	-2.2%	1,152,306	1,162,107	0.9%
Profit on sales	74,931	65,942	-12.0%	174,678	152,280	-12.8%
Gross sales margin	15.5%	14.2%	-1.3 p.p.	13.2%	11.6%	-1.6 p.p.
Other income	414	274	-33.8%	2,430	13,012	435.5%
Other costs	216	398	84.3%	599	1,806	201.5%
Net operating profit	75,129	65,818	-12.4%	176,509	163,486	-7.4%
Other net loss	-1,904	-7,746	306.8%	-1,964	-8,849	350.6%
Operating profit (EBIT)	73,225	58,072	-20.7%	174,545	154,637	-11.4%
EBIT margin	15.1%	12.5%	-2.6 p.p.	13.2%	11.8%	-1.4 p.p.
EBITDA	166,334	154,900	-6.9%	458,121	432,279	-5.6%
EBITDA margin	34.4%	33.3%	-1.1 p.p.	34.5%	32.9%	-1.6 p.p.
Finance income	1,373	1,873	36.4%	4,635	12,143	162.0%
Finance costs	3,623	6,178	70.5%	14,993	20,888	39.3%
Profit before taxation	70,975	53,767	-24.2%	164,187	145,892	-11.1%
Pre-tax profit margin	14.7%	11.6%	-3.1 p.p.	12.4%	11.1%	-1.3 p.p.
Income tax	14,336	8,562	-40.3%	32,050	25,733	-19.7%
Net profit for the financial year	56,639	45,205	-20.2%	132,137	120,159	-9.1%
Net sales margin	11.7%	9.7%	-2.0 p.p.	10.0%	9.1%	-0.9 p.p.

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





Financial highlights of the LW Bogdanka Group

Revenue

The value of revenue for the third quarter of 2016 went down by 3.7% compared to the same period of the previous year and amounted to PLN 465,442,000.

In the period between January and September 2016 the Group generated revenue in the amount of PLN 1,314,387,000 as compared to PLN 1,326,984,000 in the same period of 2015.

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

In the third quarter of 2016 the costs of products, goods and material sold plus selling and administrative costs went down by 2.2% compared by the same period of the previous year and amounted to PLN 399,500,000. In the first nine months of 2016 the discussed costs increased by 0.9% y/y.

Profit on sales

In Q3 2016, profit on sales decreased by 12.0% compared to Q3 2015. The Group generated profit in the amount of PLN 65,942,000. Profit on sales between January and September of 2016 amounting to PLN 152,280,000 is lower than the result for the analogous period in 2015 by 12.8%.

Other income

In Q3 2016 other income amounted to PLN 274,000 compared to PLN 414,000 a year before. For three quarters 2016 [other] income amounted to PLN 13,012,000 compared to PLN 2,430,000. The increase is a result of a release of the provision for damages for Budimex (PLN 10,125,000) following a ruling issued by the Court of Appeals, which was advantageous for the Parent.

Other costs and other net profits/net losses

In Q3 2016 other operating cost amounted to PLN 398,000 compared to PLN 216,000 of the same period of 2015. In three quarters 2016 other cost amounted to PLN 1,806,000 compared to PLN 599,000 of the same period of 2015. This item included primarily the compensation for underestimated yield.

Between January and September 2016 net losses amounted to PLN 8,849,000 compared to losses of PLN 1,964,000 incurred for the same period of the previous year. In 2016 impairment loss for property, plant and equipment was made (PLN -7,352,000), and higher negative FX differences were disclosed with significantly lower provisions.

EBIT

The operating profit in the third quarter of 2016 amounted to PLN 58,072,000 and was lower by 20.7% compared to the third quarter of 2015. EBIT margin in the third quarter of 2016 was 12.5%, i.e. it was lower by 2.6 p.p. than in the third quarter of the previous year.

EBIT for three quarters for 2016 was lower by 1.4 p.p. in relation to the same period of 2015 (11.8%).

EBITDA

EBITDA in the third quarter of 2016 went down by 6.9% compared to the third quarter of 2015 and amounted to PLN 154,900,000. EBITDA margin in the third quarter of 2016 equalled 33.3%, which shows a decrease compared to the same period of 2015.

In the period between January and September of 2016, EBITDA amounted to PLN 432,279,000, and

the Group achieved an EBITDA margin of 32.9%, i.e. 1.6 p.p. less y/y (while the EBITDA amount decreased in the analysed period by 5.6%).

Finance income

Finance income in Q3 2016 amounted to PLN 1,873,000. Comparing to Q3 2015, an increase by 36.4% was recorded, primarily due to a higher level of cash (free funds are kept in deposits with terms resulting from internal analyses of the Group).

The increase in finance income for three quarters of 2016 compared to three quarters of 2015 (+7,508,000, or +162.0%) is attributable to a release, in 2016, of a provision for claims of Budimex and higher interest income on bank deposits in relation to a higher average level of cash available in the LW Bogdanka Group.

Finance costs

In the third quarter of 2016 finance costs amounted to PLN 6,178,000 and were higher by 70.5% than the costs in the same period of 2015. In the analysed period an average value of interest-bearing debt dropped, however the proportion of interest allocation changed significantly (to finance cost of the period and the costs related to outlays for construction in progress). The finance cost for January-September of 2016 amounted to PLN 20,888,000 compared to PLN 14,993,000 in 2015 (increase by 39.3%).

The total debt of the Group amounted to PLN 624,082,000, including that of the Parent of PLN 600,040,000, as at 30 September 2016.

Profit before taxation

In Q3 2016 the LW Bogdanka Group generated pre-tax profit of PLN 53,767,000 compared to the generated profit of PLN 70,975 in Q3 2015 (-24.2%). Profit before taxation for three quarters of 2016 amounted to PLN 145,892,000 against PLN 164,187,000 in the same period of 2015.

Net profit for the financial year

In the third quarter of 2016 the Group generated net profit lower by 20.2% than in the third quarter of 2015 – it amounted to PLN 45,205,000 in 2016 compared to PLN 56,639,000 in 2015. The net profit for three quarters of 2016 was PLN 120,159,000 compared to PLN 132,137,000 (a decrease by 9.1%). In the analysed period the net profit for the reporting period attributable to owners of the Parent was PLN 119,775,000 compared to PLN 132,040,000 in an analogous period of the previous year.





Balance sheet of the LW Bogdanka Group

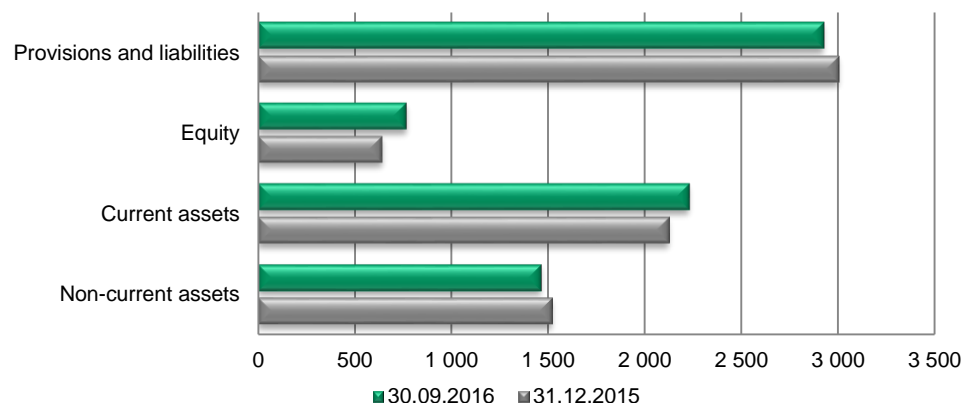
Balance sheet

Selected financial data

[PLN '000]	31 Dec. 2015	30 Sep. 2016	Change
Total assets	3,644,024	3,694,210	1.4%
ROA	-7.00%	-7.90%	-0.9 p.p.
Non-current assets	3,003,073	2,927,155	-2.5%
Current assets	640,951	767,055	19.7%
Equity	2,122,622	2,229,062	5.0%
Return on Equity (ROE)*	-12.00%	-13.40%	-1.4 p.p.
Provisions and liabilities	1,521,402	1,465,148	-3.7%

* the calculations include net result for the last four quarters and an average level of assets and equity (as at 30 September 2016 + as at 31 December 2015)/2 In Q4 2015 impairment loss for property, plant and equipment and intangible assets was made, which translated into a negative result of the Parent and the LW Bogdanka Group, and in consequence a negative ROA and ROE.

Analysis of the interim consolidated statement of financial position (PLN million)



Assets

The balance-sheet total as at 30 September 2016 went up to PLN 3,694,210,000 (i.e. by PLN 50,186,000) compared to the value as at 31 December 2015, with non-current assets going down by PLN 75,918,000 and current assets going up by PLN 126,104,000. Within current assets, the value of inventories went down by 18.6%, trade and other receivables going down by 4.0%, and cash and cash equivalents going up by 70.9%.

As at 30 September 2016 ROA fell by 0.9 p.p. compared to 31 December 2015 and, as at the balance-sheet date, it was -7.9% (net result of the Group for last 4 quarters, i.e. the period from 1 October 2015 to 30 September 2016, was included in the calculations as at 30 September 2016).



Equity and liabilities

The equity went up by 5.0%. This is mainly a result of adding comprehensive net income for the three quarters 2016 to equity.

Provisions and liabilities went down by 3.7% compared to the value as at 31 December 2015, with current liabilities going down by 0.5% (significant change was recorded in trade liabilities, employee benefits and provisions for other liabilities and charges), while non-current liabilities dropped by 4.9% (liabilities on account of bond issue - bonds worth PLN 100,000,000 were redeemed).

As at 30 September 2016, a decrease of 1.4 p.p. in return on equity compared to the end of 2015 was recorded. The ratio as at 30 September 2016 was -13.4% compared to -12.0% as at 31 December 2015.



Cash flows at the LW Bogdanka Group

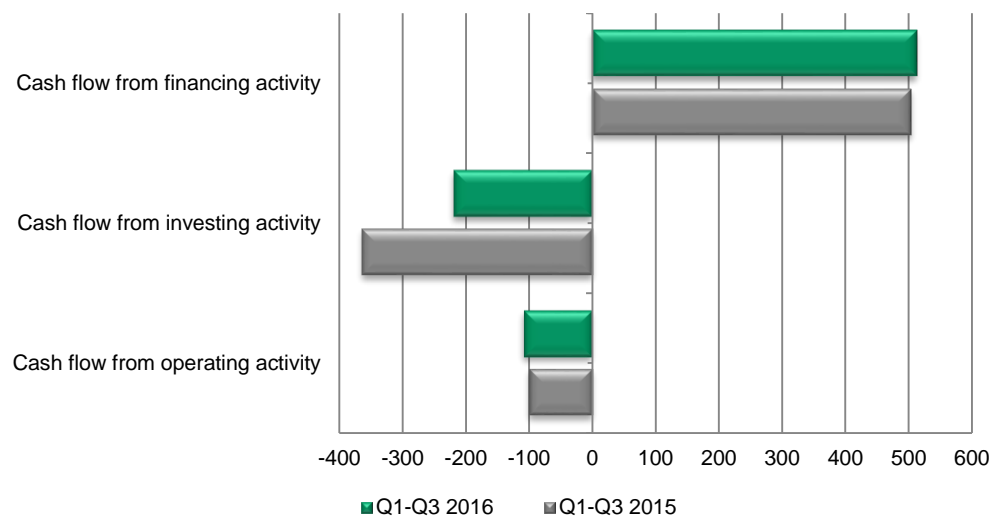
Cash flows

Consolidated cash flow

[PLN '000]	Q3 2015	Q3 2016	Change	Q1-Q3 2015	Q1-Q3 2016	Change
Cash flow from (used in) operating activities	147,731	194,650	31.8%	504,566	512,535	1.6%
Cash flow from (used in) investing activities	-76,211	-77,936	2,3%	-364,382	-219,291	-39.8%
CFFO*	71,520	116,714	63.2%	140,184	293,244	109.2%
Cash flow from (used in) financing activities	-58,280	-3,800	-93.5%	-99,889	-107,538	7.7%

*total cash flow from operating and investing activity

Analysis of the interim consolidated statement of cash flows (PLN million)



In the third quarter of 2016 the Group generated net cash flow from operating activities higher by 31.8% than in the third quarter of 2015 (in the period from July to September 2016 it amounted to PLN 194,650,000 compared to PLN 147,731,000 a year before). During three quarters 2016 the Group generated cash flow from operating activities of PLN 512,535,000 (+1.6% y/y).

Cash flow from investing activities increased (in absolute terms) in the third quarter of 2016 by 2.3% (to PLN 77,936,000) compared to the same period of 2015. Cumulatively, for three quarters of 2016, cash flow from investing activities were lower by 39.8% in comparison to the cash flow in the same period of last year, and amounted to PLN 219,291,000.

In Q3 2016, the Group recorded negative cash flow from financing activities of PLN 3,800,000 (loans and borrowings worth PLN 759,000 were repaid, interest of PLN 3,041,000 was paid), compared to PLN -58,280, in the same period of 2015 (including repayment of PLN 57,761,000 of a loan). Net flow from financing activity was comparable for the three quarters of 2016 and 2015, and amounted to ca. PLN 100,000,000.



Debt and financing structure of the LW BOGDANKA Group

Debt ratios

[PLN '000]	31 Dec. 2015	30 Sep. 2016	Change
Overall debt ratio	41.8%	39.7%	-2.1 p.p.
Ratio (debt plus employee liabilities)/EBITDA	1.42	1.34	-5.6%
Ratio net debt/EBITDA*	0.67	0.27	-59.7%
Debt to equity ratio	71.7%	65.7%	-6.0 p.p.
Fixed capital to non-current assets ratio	103.6%	108.2%	4.6 p.p.
Current debt ratio	11.1%	10.9%	-0.2 p.p.
Non-current debt ratio	30.7%	28.8%	-1.9 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 30 September 2016 went down by 2.1 p.p. compared to 31 December 2015 and reached 39.7% - the share of borrowed capital in the overall financing sources of the Group decreased (bonds worth PLN 100,000,000 were redeemed).

The level of the Group's debts as at 30 September 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 Q3 2016 dropped by 5.6% to 1.34. When comparing data as at 30 September 2016 to 31 December 2015, debt fell by more than EBITDA.

Ratio net debt/EBITDA

The ratio describing net debt (i.e. the total interest-bearing current and non-current liabilities less cash and equivalents) to EBITDA fell from 0.67 as at 31 December 2015 to 0.27 as at 30 September 2016. Net debt went down by about PLN 283 million with a decrease of EBITDA by about PLN 33 million (EBITDA calculated progressively for the last four quarters).

Debt to equity ratio

Debt to equity ratio as at 30 September 2016 decreased in relation to 31 December 2015 by 6.0 p.p. and was 65.7% - liabilities dropped by ca. PLN 56 million along with an increase in equity by ca. PLN 106 million.

Fixed capital to non-current assets ratio

The fixed capital to non-current assets ratio was 108.2% (as at 30 September 2016) compared to 103.6% (as at 31 December 2015) - in the analysed period the value of non-current assets dropped by PLN 76 million, while fixed capitals (equity plus non-current liabilities less provisions) increased by PLN 58 million.



Liquidity ratios

[days]	31 Dec. 2015	30 Sep. 2016	Change
Current liquidity ratio	2.0	2.3	15.0%
Quick liquidity ratio	1.7	2.1	23.5%

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



Turnover ratios at the LW Bogdanka Group

Turnover ratios

[PLN '000]		31 Dec. 2015	30 Sep. 2016	Change
1. Inventory turnover	<u>average inventories</u> costs of products, goods and materials sold	21	24	14.3%
2. Debtors collection rate*	<u>average receivables</u> revenue	52	49	-5.8%
3. Creditors payment rate**	<u>average liabilities</u> costs of products, goods and materials sold	64	72	12.5%
4. Operating cycle	1+2	73	73	0.0%
5. Cash conversion cycle	4-3	9	1	-88.9%

* Trade and other receivables

** Trade and other liabilities

Inventory turnover

The inventory turnover ratio as at 30 September 2016 increased to 24 days, compared 31 December 2015. Disposal of inventories takes on average 3 days more. The level of coal inventories presented at the end of the third quarter of 2016 corresponds approximately to six days of commercial coal production (on the basis of average daily production for nine months).

Debtors collection rate

The debtors collection rate (calculated on the basis of the balance-sheet item "Trade and other receivables") was 49 days (as at 30 December 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 8 days to ca. 72 days, as compared to the end of 2015.

Operating cycle

The operating cycle for current assets (a sum of inventory turnover and debtors collection rate) in the analysed period did not change and was 73 days. On average after 73 days, the Group's current assets are converted into cash.

Cash conversion cycle

The consequence of the above trends, the cash conversion cycle as at 30 September 2016 was 1 day (as at 31 December 2015 – 9 days).

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

In the first three quarters of 2016 no material off-balance sheet items occurred.

Information on LW Bogdanka Group companies subject to consolidation

The Subsidiaries: Łęczyńska Energetyka sp. z o.o., EkoTRANS Bogdanka sp. z o.o., RG Bogdanka sp. z o.o. and MR Bogdanka sp. z o.o. were included in the Consolidated Quarterly Report of the LW Bogdanka Group for three quarters of 2016 with the full consolidation method.

Investments and capital investments of LW Bogdanka Group

The value of cash held by the Group as at the end of September 2016 amounted to PLN 549,103,000, out of which the funds of PLN 521,566,000 belonged to the Parent. The amount of PLN 549,103,000 is disclosed as follows:

- PLN 101,360,000 disclosed in non-current assets,
- PLN 447,743,000 is disclosed in current assets.

The amount of PLN 101,360,000 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 447,743,000 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 at least the value of average monthly sales revenue (1/12 of forecast annual sales revenue). The funds accumulated at the Parent amount to PLN 420,206,000, while the funds accumulated at Subsidiaries amount to PLN 27,537,000 (primarily on the part of Łęczyńska Energetyka).





Information on financial instruments, bonds

Information on derivative financial instruments

As at 30 September 2016, the Parent did not hold any open derivative financial instruments.

Bonds

LW Bogdanka S.A. has two bond issue schemes.

Under the first Scheme Agreement concluded by the Parent on 23 September 2013 with Bank Pekao S.A., bonds of the aggregate value of PLN 300,000,000 were issued by LW Bogdanka S.A. Interest on the bonds is based on WIBOR 3M plus a fixed margin.

Maturity dates of the bonds are as follows:

- PLN 75,000,000 - 30 March 2018
- PLN 75,000,000 - 30 June 2018
- PLN 75,000,000 - 30 September 2018
- PLN 75,000,000 - 30 December 2018

The second Scheme Agreement was concluded on 30 June 2014 with Bank Pekao S.A. and Bank Gospodarstwa Krajowego to a maximum amount of PLN 600,000,000 (two Tranches - 1 and 2, both worth PLN 300,000,000), and on 27 June 2016 amended with an annex under which, and in accordance with the Agreement, Series LWB02B300616 bonds with a total value of PLN 100,000,000 were redeemed. The redemption of Series LWB01B300616 bonds with a total value of PLN 300,000,000 was made through a roll-up, i.e. an issue of a new Series LWB01C300617 with a total value of PLN 300,000,000. The Period of Availability for Tranche 2 ended on 30 May 2016. The maturity date for Series LWB01C300617 bonds with a total value of PLN 300,000,000 falls on 30 June 2017. In accordance with the Agreement, the Company may issue further series of bonds within a given tranche in order to roll over the previous issue of this tranche. The Scheme

is in effect until 31 December 2019. Interest on the bonds is based on WIBOR 3M plus a fixed margin.

As at 30 September 2016, under the two abovementioned agreements, bonds were issued with the total value amounting to PLN 600,000,000.

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.

Assessment of the possibilities of executing investment plans

The structure of financing its property investment expenses will remain compliant with the adopted Strategy, i.e. they will be financed from own funds and the debt held (a loan and 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.

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 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 Q3 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:

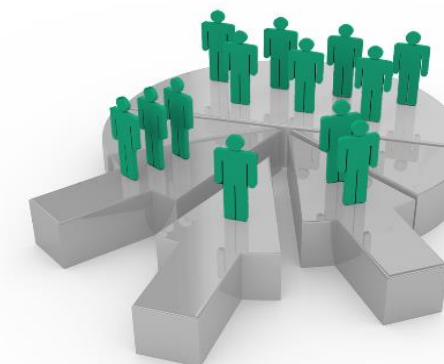
- liabilities or claims of LW Bogdanka S.A. or its Subsidiary worth at least 10% of LW Bogdanka S.A.'s equity,
- two or more proceedings concerning liabilities or claims worth a total of at least 10% of LW Bogdanka S.A.'s equity.

Rules governing the preparation of the Consolidated and Condensed Interim Financial Statements

These Consolidated Quarterly Report of LW Bogdanka S.A. for Q3 2016 was prepared in accordance with International Accounting Standard 34 - "Interim Financial Reporting"

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

More information is contained in item 2 page 3 of the Consolidated Quarterly Report of the LW BOGDANKA Group for the nine months ended on 30 September 2016.



Agreement date	Value of bonds acquired [PLN million]	Remaining value of bonds to be acquired [PLN million]	Remaining value to be repaid [PLN million]
23 September 2013	300	0	300
30 June 2014	300	0	300



Agreements concerning the subsidiaries' loans and borrowings

current account overdraft.

In 2016 the Parent had one active loan agreement.

Start date	End date	Lender	Amount of loan granted [PLN '000]	Interest rate	Debt (loans) as at 30 September 2016 [PLN '000]	Repayment period
22 May 2014	22 May 2016	mBank S.A.	150,000	WIBOR 1M + margin	0	Overdraft

Information on loans granted

During three quarters of 2016 the Group did not contract or grant any loans or terminate any agreements concerning loans.

Information on sureties and guarantees provided and received

During three quarters of 2016 the Group did not grant (or receive) any sureties.

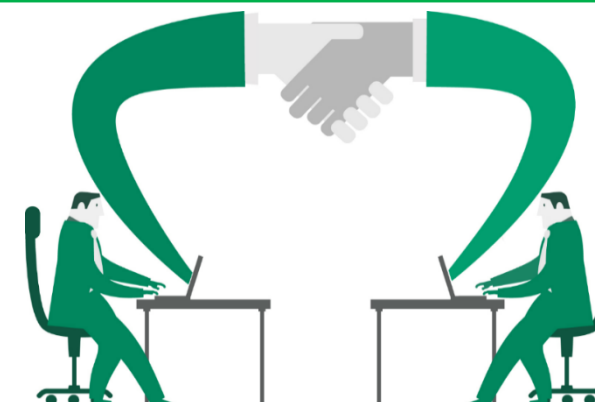
Guarantees granted by the LW Bogdanka Group

During three quarters of 2016 the Group did not provide any guarantees.

Agreements concerning the Subsidiaries' loans and borrowings

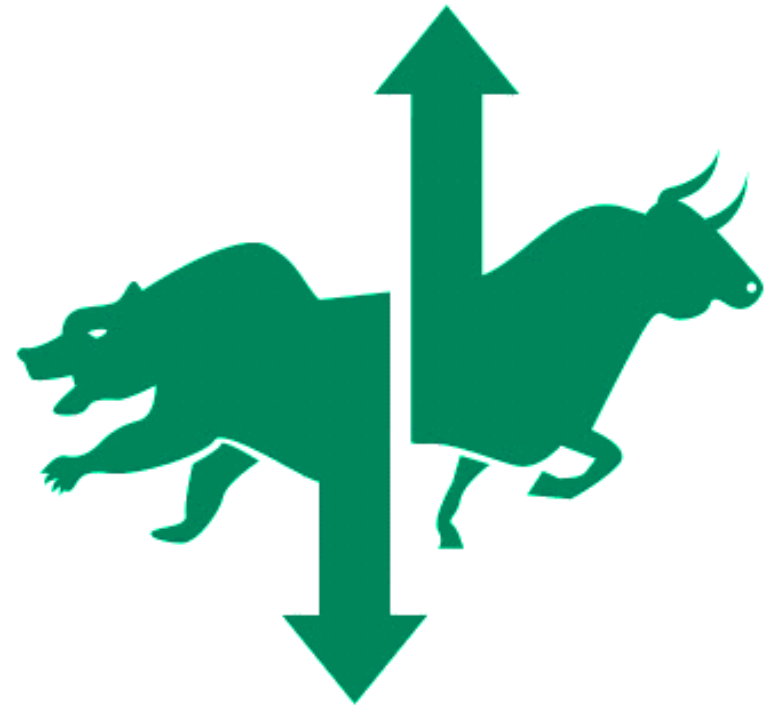
In accordance with an agreement of 9 June 2014, Łęczyńska Energetyka sp. z o.o. was granted a loan (of PLN 26.580,000) by the Provincial Fund for Environmental Protection and Water Management (WFOSiGW) in Lublin, which was allocated to financing the construction of the Water Treatment Station in Bogdanka 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. 100% of the granted loan amount was used, and its repayment will be gradually performed until 31 July 2024.

In 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.



Guarantees received by the LW Bogdanka Group

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
The Company started a procedure for the granting of a new 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



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 institutional investors in the form of pension funds.

Treasury shares

In 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

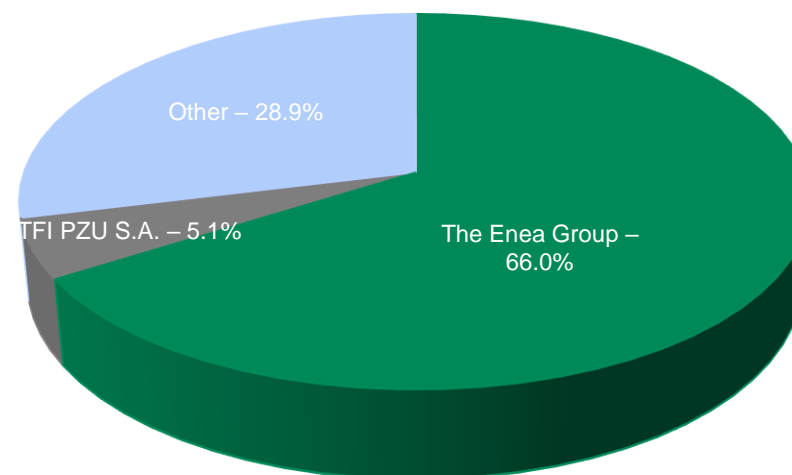
On 9 August 2016, the Parent was informed that the TFI PZU S.A. investment funds increased their share in the total vote at the Company's General Shareholders Meeting to exceed 5%. Apart from that, the Company is not aware of any changes in the structure of major shareholders of the Parent since the date of publishing the Consolidated Interim Report of the LW Bogdanka Group for H1 2016.

Shareholding structure

The table below shows a shareholding structure of LW Bogdanka S.A. as at 30 September 2016 and as at the date of publishing this Report, i.e. 10 November 2016.

Shareholder	Number of shares/ number of votes at the Shareholders Meeting	Share capital interest/ interest in the total number of votes
The Enea Group	22,448,834	66.0%
TFI PZU S.A.	1,750,033	5.1%
Other	9,814,723	28.9%
TOTAL	34,013,590	100.0%

Shareholding of LW Bogdanka S.A.
as at 30 September 2016 and as at 10 November 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-Q3 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.

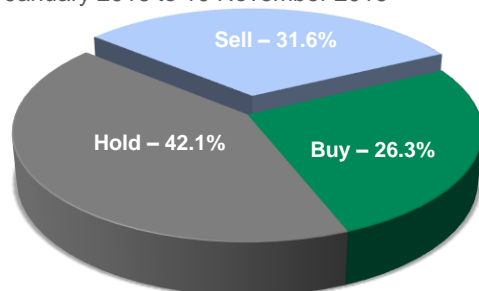
Analysts' recommendations and price performance of the shares

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

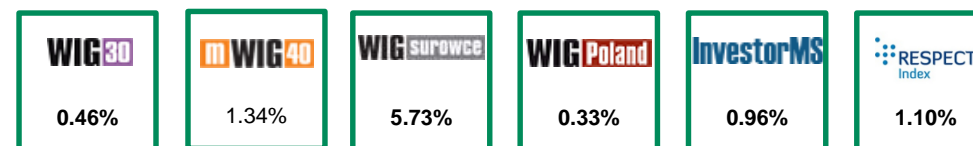
Date of Issue	Institution	Recommendation	Target price	Price on the date of issue
5 January	BDM DM	Buy	PLN 39.80	PLN 32.55
26 January	BZ WBK	Sell	PLN 16.30	PLN 33.03
2 February	Societe Generale	Hold	PLN 34.40	PLN 31.90
31 March	PEKAO Investment Banking	Hold	PLN 41.70	PLN 38.35
11 April	PKO BP DM	Hold	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
16 May	PEKAO Investment Banking	Hold	PLN 61.00	PLN 43.80
23 May	Societe Generale	Hold	PLN 44.70	PLN 39.70
19 July	BOŚ DM	Buy	PLN 65.90	PLN 46.00
26 July	Haitong Research	Sell	PLN 38.18	PLN 52.03
3 August	mBank DM	Sell	PLN 33.00	PLN 52.00
26 August	Erste Securities DI	Hold	PLN 54.30	PLN 54.00
31 August	PKO BP DM	Hold	PLN 58.00	PLN 56.99
10 October	BOŚ DM	Buy	PLN 75.90	PLN 60.49
25 October	DM Trigon	Hold	PLN 67.50	PLN 67.30
27 October	BZ WBK	Sell	PLN 39.00	PLN 68.60

In 2016 almost 70% of analysts recommended "BUY" or "HOLD" shares of LW Bogdanka S.A.

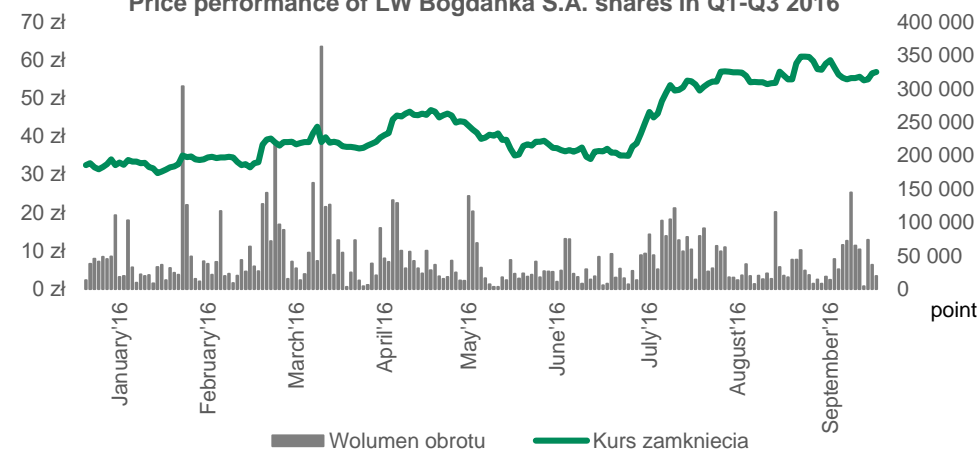
Recommendations issued for LW Bogdanka S.A. from 1 January 2016 to 10 November 2016



Participation of the Parent's shares in indices as at 10 November 2016



Price performance of LW Bogdanka S.A. shares in Q1-Q3 2016



Key share indicators:

Q1-Q3 2016

Maximum price [PLN]	60.90
Minimum price [PLN]	30.39
Last price [PLN]	56.86
Average price [PLN]	42.62
Capitalisation at end of period [PLN million]	1,934.02
Book value [PLN million]	2,229.06
Price/earnings ratio	16.10
Price/book value	0.87
Average volume per session	46,199
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 S.A.

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 this Report and as of the date of publishing the previous periodical report:

MANAGEMENT BOARD					
Name and surname	Number of the Company's shares as at 10 November 2016	Nominal value of the shares (PLN)	Number of the Company's shares as at 26 August 2016	Nominal value of the shares (PLN)	Number of shares in Subsidiaries
Krzysztof Szlaga	0	0	0	0	0
Stanisław Misterek	247	1,235	247	1,235	0
Adam Partyka	253	1,265	253	1,265	0
Sławomir Karlikowski	0	0	0	0	0
Marcin Kapkowski	0	0	0	0	0
SUPERVISORY BOARD					
Name and surname	Number of the Company's shares as at 10 November 2016	Nominal value of the shares (PLN)	Number of the Company's shares as at 26 August 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 the Company's shares as at 10 November 2016	Nominal value of the shares (PLN)	Number of the Company's shares as at 26 August 2016	Nominal value of the shares (PLN)	Number of shares in Subsidiaries
	500	2,500	500	2,500	0

*According to declarations of Management Board and 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.



5. Governing Bodies



Management Board of the Parent



Krzysztof Szlaga

President of the Management Board

Mr Krzysztof Szlaga holds a university degree in economy. 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. From 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 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. Recently, 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 a many years' experience in managing complex restructuring processes in hard industry. Mr Krzysztof Szlaga has fluent command of German and English.

Stanisław Misterek

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

He graduated from the Maria Curie-Skłodowska University in Lublin, Faculty of Economics, with an MA degree, Post-Graduate Studies on European Standards in Finance and Accounting at the Warsaw School of Economics, Post-Graduate Studies on Public Procurement at the European University of Law and Administration in Warsaw, and on International Accounting Standards / International Financial Reporting Standards at the University College of Enterprise and Administration in Lublin. He has completed many 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 positions 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 Łęczyska Energetyka Sp. z o.o. On 1 April 2016, 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. Between 2007 and 2014 he was a shift foreman responsible for electrical equipment underground. Between 2006 and 2012 he was a member of the Supervisory Board of LW Bogdanka S.A. On 1 April 2016 he became Vice-President of the Management Board, Employee and Social Affairs.

Sławomir Karlikowski

Vice-President of the Management Board, Production – Head of Mining Supervision in Mining Facility

Mr Sławomir Karlikowski graduated in 1991 from the Faculty of Mining and Geology at AGH University of Science and Technology in Krakow with a M.Sc. Eng. degree, specialising in Mining Constructions and Designing. He also completed post-graduate studies in Management in Mining Industry, and Management and Marketing. Mr Sławomir Karlikowski has been with LW Bogdanka S.A. since 1991. He started to perform underground executive functions in 1992. In 2007 he moved to senior managerial posts, and in 2013 he took the position of the Chief Engineer (later: Production Director) - Head of Mining Supervision in Mining Facility, which he has held until now. Since 23 May 2016 he has been the Vice-President of the Management Board, Production – Head of Mining Supervision in Mining Facility at LW Bogdanka S.A.

Marcin Kapkowski

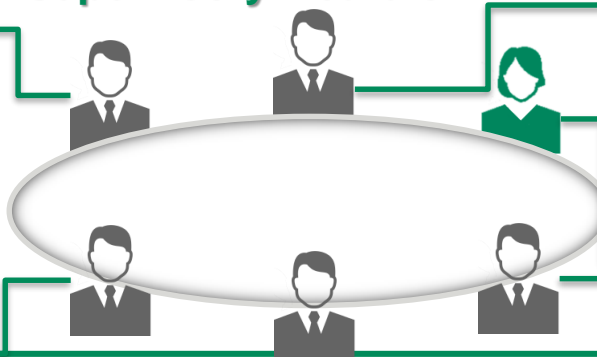
Vice-President of the Management Board, Procurement and Investments

Mr Marcin Kapkowski is an automation engineer by trade. In 2001 he graduated from the Faculty of Electrical Engineering at the Technical University of Częstochowa. In the last 15 years, he has attended and completed numerous courses and business trainings. Mr Marcin Kapkowski worked with SANDVIK international engineering group for 15 years. As an employee of the group, he has explored various industry branches, from steel to engineering, and for the last 3 years also the mining one. In the Polish branch, he acted as the Managing Director and a Member of the Management Board. He has gained previous experience in multiple business areas and, having operated on almost all continents, has developed business contacts on the global market. From 2007 to 2013 he was responsible for creating and implementing business strategies at the Wire and Heating Technology division. He has performed and participated in many optimisation and restructuring processes in the field of sales, purchases, production, and product range management. Since 23 May 2016 he has been the Vice-President of the Management Board, Procurement and Investments at LW Bogdanka S.A. Mr Marcin Kapkowski is fluent in English.

Supervisory Board of the Parent as at 10 November 2016

17% - independent members in the Supervisory Board of LWB

17% - women in the Supervisory Board of LWB



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 S.A. 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 PFK S.A. in liquidation, EP BUT S.A. and Enea Centrum sp. z o.o.

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 2016 he was 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 2016 he was 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 in Krakow, 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. In 1993 he also started to carry out consulting activities focused on cooperation with industry. 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 Mr Michał Stopyra was a member of the Supervisory Board of Techniczno Górnicza Spółka Akcyjna TEGONA S.A. in Katowice. He has been a Member of the Supervisory Board of LW Bogdanka S.A. since 2013.



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 and impairment losses
- **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
- **LWB** – Lubelski Węgiel Bogdanka S.A.
- **Extraordinary General Shareholders Meeting** – Extraordinary General Shareholders Meeting of LW Bogdanka S.A.
- **PGG** – Polska Grupa Górnicza (Polish Mining Group)
- **LWB Supervisory Board** – Supervisory Board of LW Bogdanka S.A.
- **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
- **SRK** – Spółka Restrukturyzacji Kopalń S.A.
- **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** – defines a company's ability to meet its short-term obligations with its most liquid assets



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SIGNATURES OF ALL MANAGEMENT BOARD MEMBERS

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
Sławomir Karlikowski Facility	Vice-President of the Management Board, Production – Head of Mining Supervision in Mining
Marcin Kapkowski	Vice-President of the Management Board, Procurement and Investments

Bogdanka, 10 November 2016



Thank you!