



Directors' Report on Operations of the Lubelski Węgiel Bogdanka Group

for Q1 2017

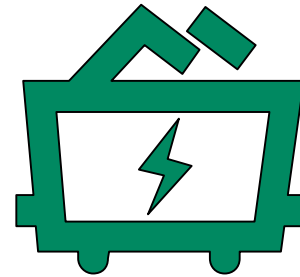


Bogdanka, 25 May 2017



15.1%

Share in the hard coal market in Poland



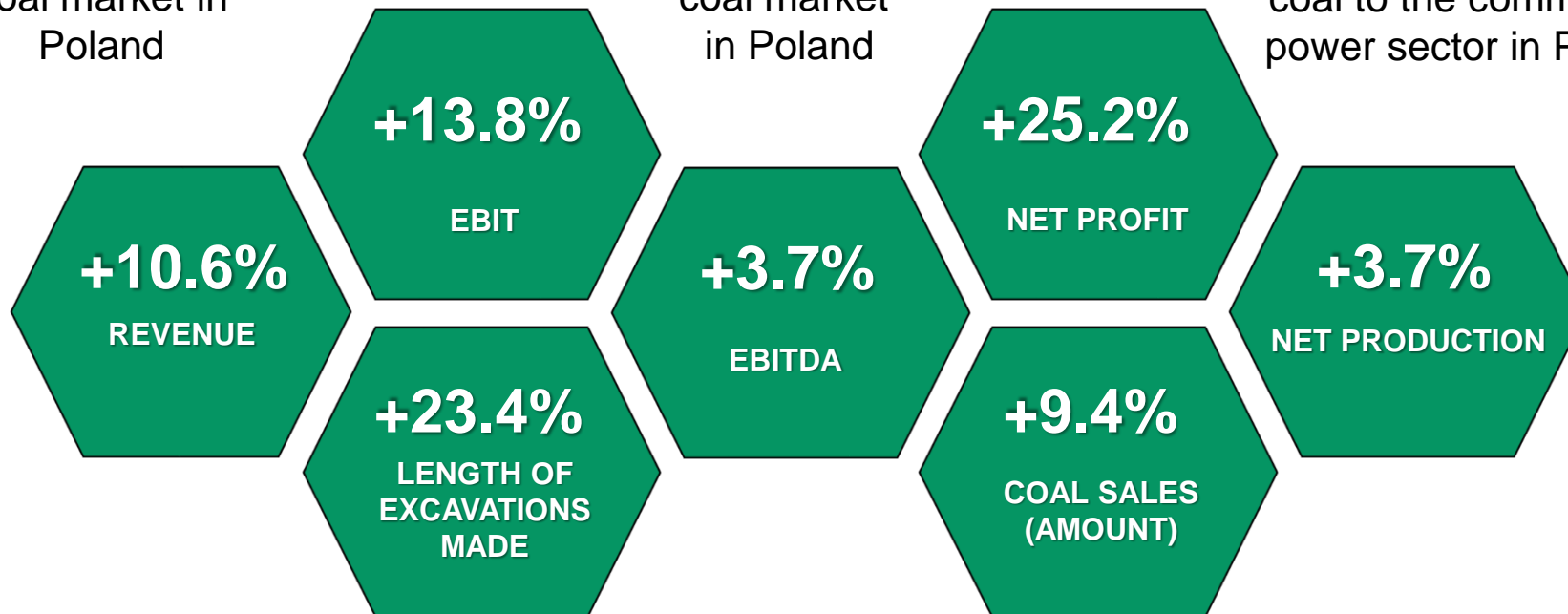
17.8%

Share in the thermal coal market in Poland



25.7%

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



Change Q1 2017/ Q1 2016



1. Summary of operational activities



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The LW Bogdanka Group achieved good financial and operating results, because it was able to ensure the optimal use of its production capacity on the difficult market in Q1 2017.

In Q1 2017, the LW Bogdanka Group generated:

- net revenue of **PLN 465.2 million** – increase by **10.6% y/y**
- EBITDA of **PLN 179.8 million** – increase by **3.7% y/y**
- net profit of **PLN 68.2 million** – increase by **25.2% y/y**

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

<ul style="list-style-type: none"> • high coal production and sales in Q1 2017 • high output (66.7%) in Q1 2017 • slight increase in thermal coal on the market 	<ul style="list-style-type: none"> • low level of inventories

The Parent was consistently pursuing its cost optimisation policy, which in Q1 2017 allowed it to reduce costs by type **by approx. PLN 5 million** in comparison to Q1 2016, with production going up by 3.7% y/y.

The LW Bogdanka Group improved **the ratio of net debt/EBITDA by 98.2%** from the level of **0.136 to the level of 0.002**, which is related to the optimisation of capital expenditure and strict cost control.

In the previous quarter in comparison to the same period of 2016, the Group increased the extraction of thermal coal **to 2.4 million tonnes of coal**. It was a consequence of increased capabilities of placing coal on the market by the Parent (quantitative growth of coal sales by 9.4% y/y).



2. Organisation and business activities of the LW Bogdanka Group



Basic information and key events in the first quarter of 2017

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Industry ID No. (REGON): 430309210
Tax Reg. No. (NIP): 713-000-57-84
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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 2016, item 1578, as amended)
- Act of 9 June 2011 – Geological and Mining Law (Dz. U. [Journal of Laws] of 2016, item 1131, 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.

Key events in the first quarter of 2017 and events until the publication date

Increase in share by investment funds TFI PZU S.A. above 10%

On 30 January 2017, the Parent was informed that the TFI PZU investment funds increased their share in the total vote at the Parent's General Shareholders Meeting to exceed 10%.

Announcement of the Development Strategy of the LW Bogdanka Group

On 9 February 2017, the Parent's Supervisory Board approved the development strategy of the LW Bogdanka Group Mining Area of the Enea Group until 2025 (under the 2030 framework), including the assumptions for the dividend policy.

Extraordinary General Shareholders Meeting of the Parent on 7 March 2017

Extraordinary General Shareholders Meeting of the Parent on 7 March 2017 adopted the following resolutions:

- amending the By-Laws of the General Shareholders Meeting
- determining rules for the remuneration of Management Board members
- determining the rules for remuneration of Supervisory Board members
- appointment and removal from office of the Supervisory Board members (two Supervisory Board members, appointed by the General Shareholders Meeting, were selected by the employees).

Redemption of bonds

On 10 March 2017 the Management Board of the Parent signed an annex to an agreement on the Bond Issue Programme of 30 June 2014, concluded with Bank Polska Kasa Opieki S.A. and Bank Gospodarstwa Krajowego. Therefore, the redemption date of 300 bonds with a nominal value of PLN 1,000,000 (one million) each, and total nominal value of PLN 300,000,000 (three hundred million zlotys) was changed to 30 March 2017, and on that day the bonds were redeemed.

Agreement on salary levels in 2017

On 28 March 2017, the Parent's Management Board entered into an agreement with the representatives of all trade union organisations, regarding an increase in salaries at LW Bogdanka S.A. The agreement provides for the level of an average salary in 2017 by 2.0% in relation to salary of the previous year on condition that the adopted production plan is fulfilled.

Recommendation of the Management Board regarding payment of dividend from the 2016 profit

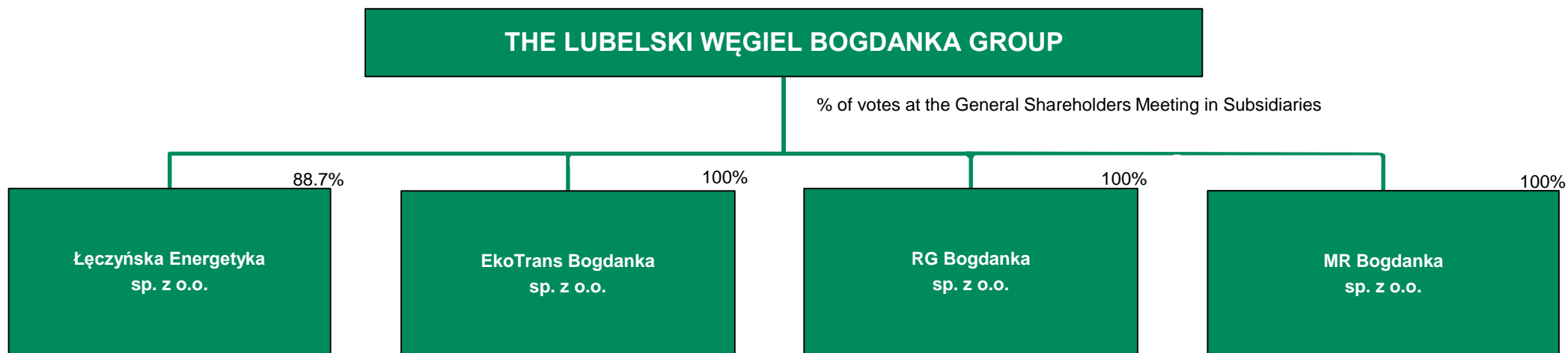
On 28 April 2017, the Parent's Management Board adopted a resolution on a motion to the General Shareholders Meeting regarding distribution of net profit for 2016. The Management Board proposed to distribute the net profit generated by the Parent in 2016 in the amount of PLN 175,896,313.75 as follows:

- the amount of PLN 34,013,590.00 – to a dividend, i.e. PLN 1.00 per share
- the remainder, i.e. PLN 141,882,723.75 – to the Company's reserve capital.

On 22 May 2017, this proposal was positively assessed by the Supervisory Board of LW Bogdanka S.A.

The presented proposal is in line with the dividend policy as announced by the Company in the Development Strategy of LW Bogdanka S.A. Mining Area of the Enea Group until 2025 (under the 2030 framework).





Company name	Parent's share in the share capital		Share capital	Core activity
	31 Dec. 2016	31 Mar. 2017 and 25 May 2017		
Łęczyńska Energetyka sp. z o.o.	88.70% (73,332 shares)	88.70% (73,332 shares)	PLN 82,677,000 divided into 82,677 shares of PLN 1,000 each	producing heat energy, refurbishing, maintaining and assembling of power production equipment, producing drinking and industrial water
EkoTRANS Bogdanka sp. z o.o.	100.00% (100 shares)	100.00% (100 shares)	PLN 100,000 divided into 100 shares of PLN 1,000 each	comprehensive transport organisation and recovery of spoil arising during coal-associated shale washing and cleaning
RG BOGDANKA sp. z o.o.	100.00% (10,000 shares)	100.00% (10,000 shares)	PLN 500,000 divided into 10,000 shares of PLN 50 each	services, deliveries and mining works for LW Bogdanka S.A.
MR BOGDANKA sp. z o.o.	100.00% (20,000 shares)	100.00% (20,000 shares)	PLN 1,000,000 divided into 20,000 shares of PLN 50 each	repairs, regeneration and production of steel constructions, providing services to LW Bogdanka S.A.

As at the date of submitting the Report, the Parent 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 Parent as security for financial settlements for the provision of transport services. That company has not been included in the consolidation.

Changes in the structure of the LW Bogdanka Group

In Q1 2017 there were no changes in the structure of the LW Bogdanka Group or the Group's organisational and capital relations to other entities. In the period in question there were no changes to the structure of the LW Bogdanka Group that would result from merger of business entities, acquisition or sale of the Group's undertakings, long-term investments, division, restructuring or discontinuation of activities.



Development Strategy of the Parent

Development strategy of LW Bogdanka S.A.

On 9 February 2017 the Parent announced its Development Strategy of LW Bogdanka S.A. from the Mining Area of the Enea Group until 2025 (under the 2030 framework), including the dividend policy.

The adopted strategy reflects the 2030 Development Strategy of the Enea Group as it covers, among other things, activities to meet the rising demand for thermal coal on the side of power and cogen plants from the Generation Area of the Enea Group and to implement 10 strategic initiatives planned by the Enea Group for the Mining area.

Vision

Bogdanka is a strong link in the value chain of the Enea Group and the efficiency leader in the mining sector with the highest work safety standards.

Mission

By contributing to energy security of Poland, Bogdanka proves that it is a reliable supplier of coal for commercial power plants able to maintain its competitive advantage and to continuously increase the value of the Company, while improving its work safety and environment protection standards and implementing innovative solutions.

In the course of the activities to formulate the Strategy, two development scenarios were prepared:

- **baseline scenario**, which assumes average production at a level of about 8.5 million tonnes over 2017-2025 and capital expenditure amounting to PLN 3.7 billion (nominally) in 2016-2025;
- **flexible development scenario**, which assumes average annual projected production at a level of about 9.2 million tonnes over 2017-2025 and capital expenditure amounting to PLN 4.0 billion (nominally) in 2016-2025.

Taking into account the current and expected market situation, the Parent wants to implement the flexible development scenario as part of its Strategy.

Based on the above assumptions the Parent will strive to achieve the following objectives by 2025:

- return on equity (ROE) of 10.9%
- return on assets (ROA) of 8.5%
- increase in nominal EBITDA by 44.0% (compared to 2015, after adjustment by revaluation).

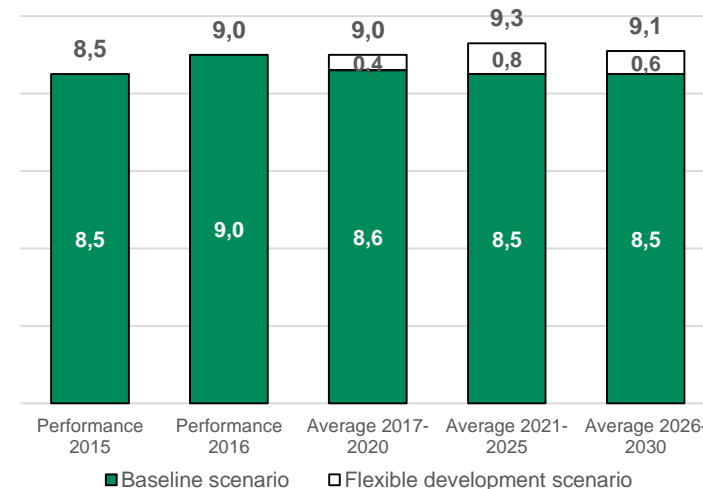
The Parent assumes that it will strengthen its market position by achieving at least a 25% share in the market of fine thermal coal for commercial power plants and, also, its financial position by a further reduction in the UMCC by 10% in real terms by 2025, compared to 2015.

During the implementation of the Strategy, the Management Board will focus on the key areas of operations of the Parent, which include:

1. Close cooperation and utilisation of synergies in the Kozienice-Bogdanka-Połaniec mining and power generation area
2. Efforts to double the exploitable resources on the basis of the Ostrów deposit and to extend the mine's life to about 50 years
3. Implementation of strategic initiatives which include:
 - feasibility study of construction of an integrated gasification cycle (IGCC) system for production of fuel for power generation within the ENEA Group;
 - programme to continue improving work safety
 - utilisation of the advanced high-performance face complex
 - continuation of the "Smart Mine" programme
 - effective waste rock management
 - operator's services provided by LW Bogdanka S.A., offered on the basis of high technological and management standards of the Parent.

Until 2030, a key direction for the Parent will be the development of infrastructure in the Ludwin Mining Area (Ostrów deposit) - according to preliminary estimates the Parent will spend there about PLN 1.2 – 1.3 billion (in real terms) after 2025. This project is to ensure that the shaft complex in the Bogdanka Field can continue coal extracting after 2030.

Planned coal production in 2015-2030 [million tonnes]



CORPORATE SOCIAL RESPONSIBILITY (CSR)

Because of its crucial importance to the region, one of the Group's goals, as always, is to run its business operations in compliance with the rules of corporate social responsibility (CSR) strategy, which includes ensuring the highest work safety standards, environmental effectiveness, the protection of local biodiversity, the stimulation of development and a guarantee of security for local communities, as well as the effective management of relationships with all groups of stakeholders - all these in line with the principles of sustainable growth.

Dividend policy

In the medium and long run, the Parent wants to remain a dividend-paying company, and the Management Board intends to ask the General Shareholders Meeting for approval of dividends up to 50% of the net profits shown in the LW Bogdanka S.A.'s separate financial statements, prepared in accordance with the International Financial Reporting Standards.

Projects completed in Q1 2017

The plan for Q1 2017 covered the following groups of tasks: making new excavations, upgrade of excavations existing in the Bogdanka, Nadrybie, and Stefanów Fields, maintenance of machinery, including the purchase of machines and equipment and repair and upgrade of machines, obtaining new licences, other development investments, ICT, administration, transport etc.

Maintenance of machinery

Modernisation and renovations of machinery and equipment – PLN 840,000 for modernisation of a wall conveyor.

Purchases of machines and devices subject to assembly – PLN 4,769,000 for purchase and assembly of a conveyor belt.

Acquisition of new licenses – the Parent is attempting to obtain mining licences for Ostrów area.

Other development investments

Enlargement of the mining waste neutralisation facility in Bogdanka – selection process is underway to employ a company to perform construction and assembly works related to enlargement as part of Stage I Part 2.

MCPP replacement projects – the project includes modernisation of steel structures, modernisation of stone loading unit and adjustment of bridge 207.2.

ICT

Tasks pursued as part of the following projects: the “Integrated Production Management System” and the “Smart Solutions Mine” are continued.

Transport

Expenditure for purchases of vehicles.

Other

Construction of facilities – PLN 60,000 for the construction of the construction of a tower crane.



Capital expenditure for excavations incurred by the Parent in Q1 2017

Excavations and works - total	Depreciation method	Length [m]	Value of coal from excavations [PLN '000]	Total value of capital expenditure [PLN '000]	Value of capital expenditure [PLN '000]
Longwall workings:	natural	5,514	20,406	79,218	58,812
Basic workings	linear	1,824			
Reconstructions	linear / natural	259			

Over the period of Q1 2017, 7,338 m of roadway excavations were made. Reconstruction of the excavations were continued in accordance with the schedules. The total expenditure on reconstruction of the corridor workings in that period amounted to PLN 6,376,000. The total expenditures on new workings and upgrades of existing ones were equal to PLN 52,436,000.

Selected capital expenditure in the LW Bogdanka Group

[PLN '000]	PTE 2017	Performed Q1 2017	Performed Q1 2017 [%]
New excavations and upgrades of existing ones	289,659	58,812	20.3%
Maintenance of machinery	40,243	5,609	13.9%
Obtaining new licences	18,660	-	-
Other development investments	11,614	159	1.4%
ICT	8,686	370	4.3%
Administration	20	-	-
Transport	489	353	72.2%
Other	7,860	60	0.8%
TOTAL CAPEX in LW Bogdanka S.A.	377,231	65,363	17.3%
Łęczyńska Energetyka sp. z o.o.	8,371	272	3.2%
Other subsidiaries	-	15	-
TOTAL CAPEX AT THE LW BOGDANKA GROUP	385,602	65,650	17.0%

The above amount of capital expenditure includes capitalised borrowing costs of PLN 772,000.



Decline in thermal coal prices

Situation on the international market

- the average coal price CIF ARA in Q1 2017 was approx. USD 81/t, and was higher by 80.0% than the Q1 2016 price (USD 45/t) and by 35.0% than the average annual price for 2016 (USD 60/t)
- as at the end of April 2017, coal stock in ARA ports was about 5.9 million tonnes in comparison with December 2016, the inventories level increased by 1.4 million tonnes
- in 2016, China reduced coal production by approx. 290.0 million tonnes. Further mining reductions are planned for 2017 (by further approx. 150.0 million tonnes)
- coal production in China in Q1 2017 was approx. 809.0 million tonnes. This represents an increase of approx. 0.2% over Q1 2016. This is mainly due to a permission for the mine to work for 330 day in a year; in comparison with 2016 it was an increase by as many as 54 business days (in 2016 it was only 276 days)
- in Q1 2017 Columbia exported approx. 22.0 million tonnes of coal, which represents an increase of 8.9% over Q1 2016.

Stabilisation in fine thermal coal prices and PSCMI index

- in Q1 2017 the average price of fine thermal coal for commercial power plants was PLN 8.93 per GJ the price increased by about 2.0% in comparison to Q4 2016
- dynamics of price drops, comparing Q1 2017 to Q1 2016, was approx. 0.1%
- average heating value of fine coal for commercial power plants is about 21.3 GJ / tonne
- price of fine coal for commercial power plants declined by about 25.8% between January 2012 and March 2017
- in Q1 2017 the average price based on the PSCMI index was about PLN 8.91 per GJ Increase in prices was recorded by approx. 3.5% versus the Q4 2016 average price; the Index PSCMI price grew by approx. 1.0% compared to Q1 2016.

sources: Argus Media, Argus Coal Daily International, www.bloomberg.com, www.theguardian.com www.plats.com





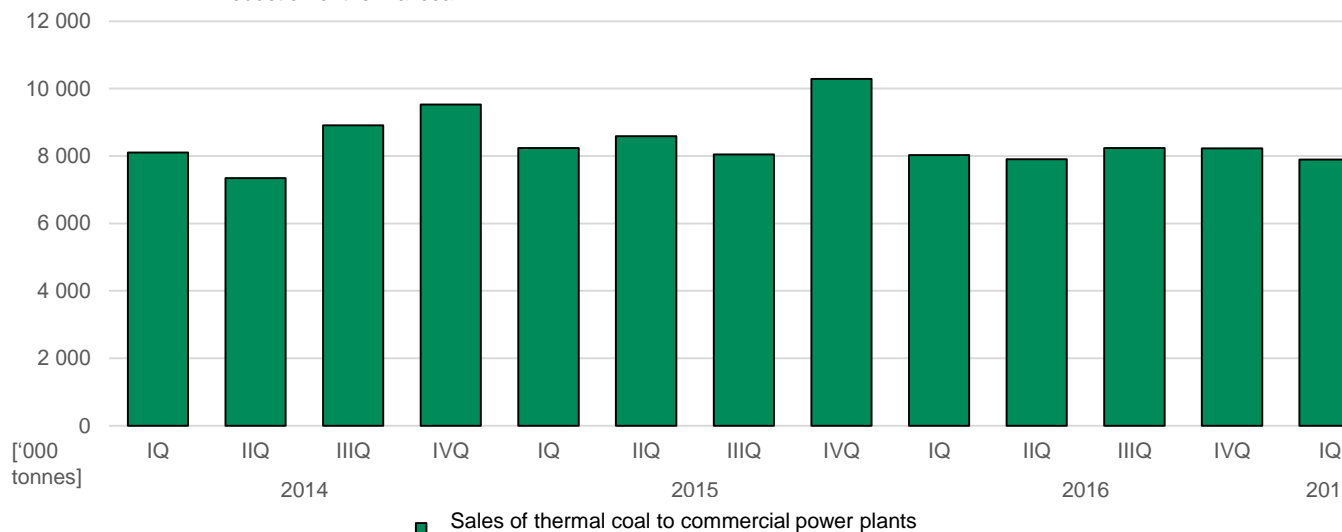
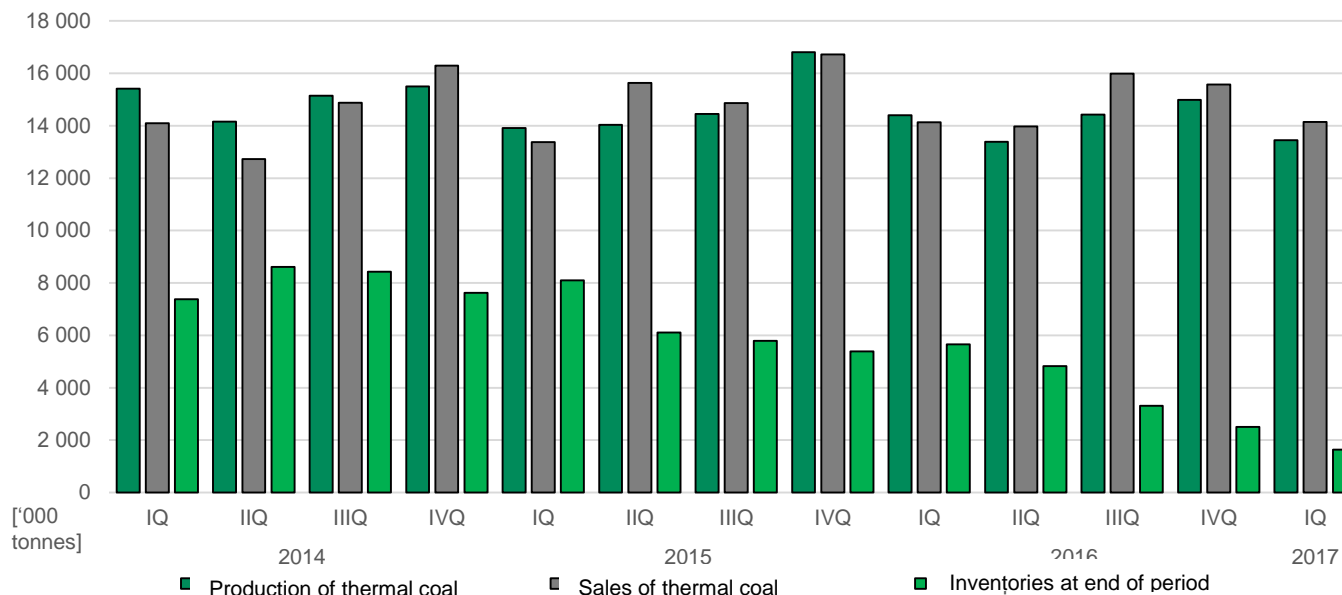
Production, sales and inventories of thermal coal at the end of Q1 2016 in the domestic market

Situation in Poland:

- thermal coal production in Q1 2017 was 13.45 million tonnes, which represents a decrease by 6.6% (14.40 million tonnes) compared to Q1 2016
- thermal coal sales in Q1 2017 were 14.14 million tonnes – an increase by 0.1% (14.13 million tonnes) compared to Q1 2016
- inventories of thermal coal sales as at the end of March 2017 were 1.64 million tonnes, which in comparison to Q1 2016 represents a decrease by 70.6% (5.57 million tonnes)
- exports of thermal coal sales in Q1 2017 amounted to 1.22 million tonnes and were lower by 20.3% (1.53 million tonnes) compared to the same period of 2016
- imports of thermal coal sales in Q1 2017 were 1.50 million tonnes – an increase by 0.7% (1.49 million tonnes) compared to Q1 2016.

Commercial Power Plants are the main recipients of thermal coal in Poland:

- in Q1 2017, about 7.91 million tonnes were sold to commercial power plants
- this is about 0.12 million tonnes less than in the same period of 2016 (down by approx. 1,5%).



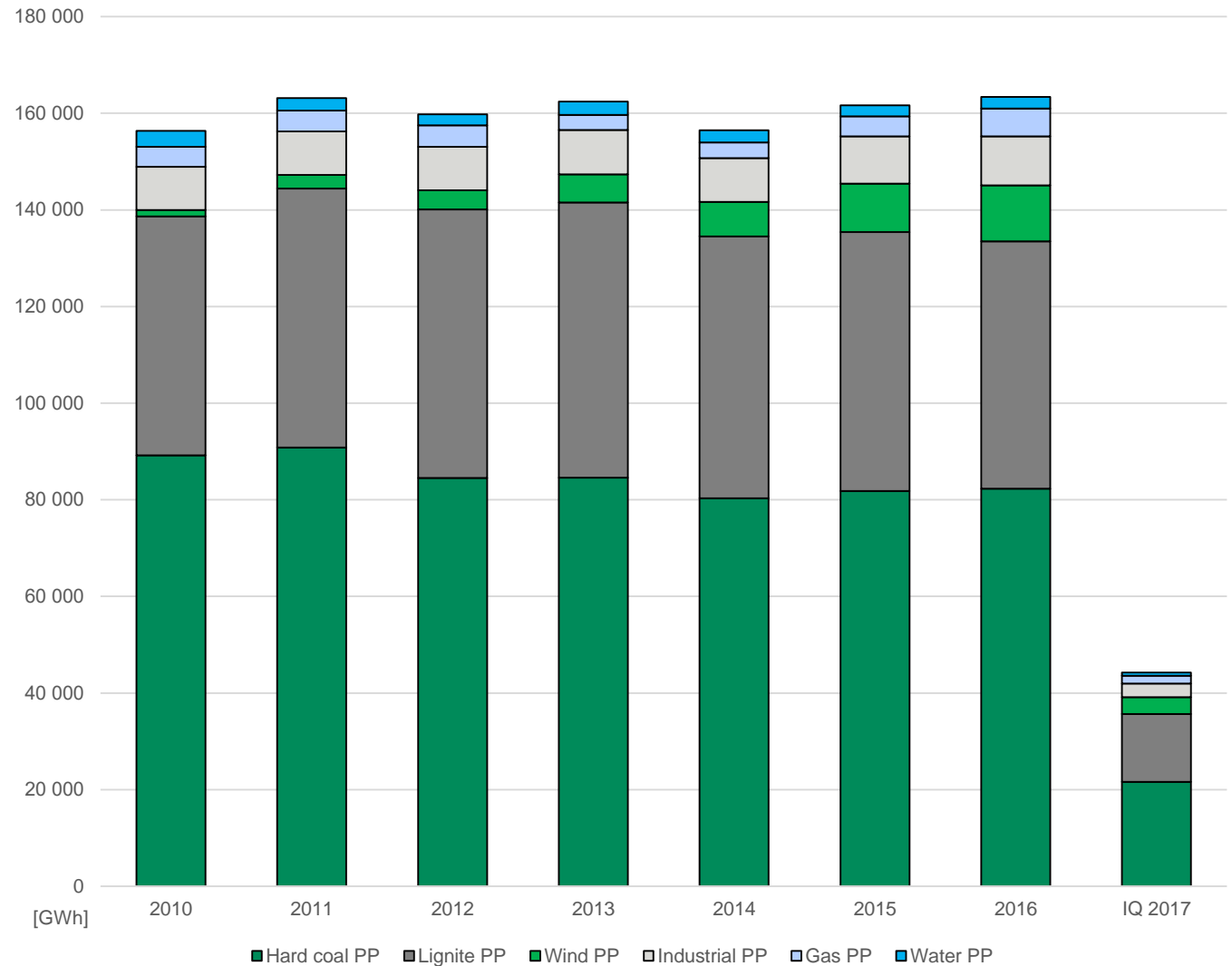
sources: ARP, ARE, www.pse.pl, www.tge.pl, Company



Electricity generation in Poland

Electricity generation in Poland

- in Q1 2017, electricity generation totalled about 44,255 GWh, which represents an increase of 2,226 GWh compared to the same period of 2016
- hard coal was used to generate about 21,626 GWh, i.e. nearly 48.9% of total electricity output in Poland
- in Q1 2017, hard coal was used to produce about 0.5% less electricity than in Q1 2016



sources: ARP, ARE, www.pse.pl, www.tge.pl, Company



Description of factors which, in the assessment of the LW Bogdanka Group, will affect the results achieved by the Parent and its subsidiaries within at least the following quarter

A full description of risks connected with the Group's operations can be found in the Report for 2016. Below please find risk factors which the Group sees as the most important risk factors in the perspective of the following (second) quarter.

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

Plans of the Ministry of Economy concerning enterprises operating in the hard coal mining and power engineering sector have a significant influence on the market position of the LW Bogdanka Group. On 1 April 2017, the process of acquisition of the Katowicki Holding Węglowy's production assets by Polska Grupa Górnicza [Polish Mining Group] was finalised, which resulted in establishing the largest, on an European scale, hard coal enterprise. The target amount of coal to be produced by PGG is 34 million tonnes. An investment process is underway and is to result in an increase in number of mining walls; the amount of the related investments to be carried out is to reach PLN 7.2 billion by 2020. Establishing one big entity combining former mines, i.e. KW and KHW, as well as the situation and infrastructure of its mines, entail great uncertainty as to reaching the planned level of thermal coal production in Poland. Depending on the choice of a restructuring scenario to be executed, this will affect the LW Bogdanka Group's market standing.

Countermeasures: monitoring the process of implementing the restructuring plan for the hard coal sector in Poland.

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 are mainly affected by:

- the prices of thermal coal, and
- raw materials alternative to thermal coal (crude oil, natural gas, renewable sources)
- on global markets, and therefore on the domestic market. This is of key significance for the activities conducted by the Group, and especially by the Parent.

Despite the fact that coal prices on global markets have to a certain extent been stabilised, and regardless of the sharp price rises we witnessed in mid 2016, it needs to be remembered that the current price levels are still far from those recorded before the falls that occurred in 2013.

Countermeasures: monitoring the domestic and foreign markets,

controlling prices, entering into long-term trade agreements with main recipients of thermal coal.

Key customer risk factors

Vast majority of the thermal coal produced by the Group is sold to Enea Group companies and to a relatively small group of large contracting parties. Therefore, there is a risk that the reduction or termination of cooperation with a key customer of the Group could have an adverse effect on financial results.

This risk has been significantly mitigated thanks to synergies worked out within the Enea Group and the conclusion in 2016 of long-term agreements with key customers ensuring purchases for at least 5 years. The Company also continues its efforts to attract new smaller customers and expands its sales market outside Poland (in particular in Ukraine).

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

Factors associated with the launch of extraction of new deposits at the Parent

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 further 50 years of activity.

Countermeasures: further steps to obtain exploration licence for the "Ostrów" area (an application for the exploration licence is under preparation) and further steps to obtain mining licences for the K-6 and K-7 areas.

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 Group 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 63.44% of the Group's employees (there are four trade union organisations at LW Bogdanka S.A. associating 72.02% of the employees). The strong position of the trade unions creates a situation in which there is a risk of the costs of remuneration increasing under negotiated wage agreements in future, which could adversely affect the financial results of the Group. Furthermore, possible protests and/or strikes organised by the trade unions operating at the Group could affect the operating activities of the LW Bogdanka Group.

Workforce changes

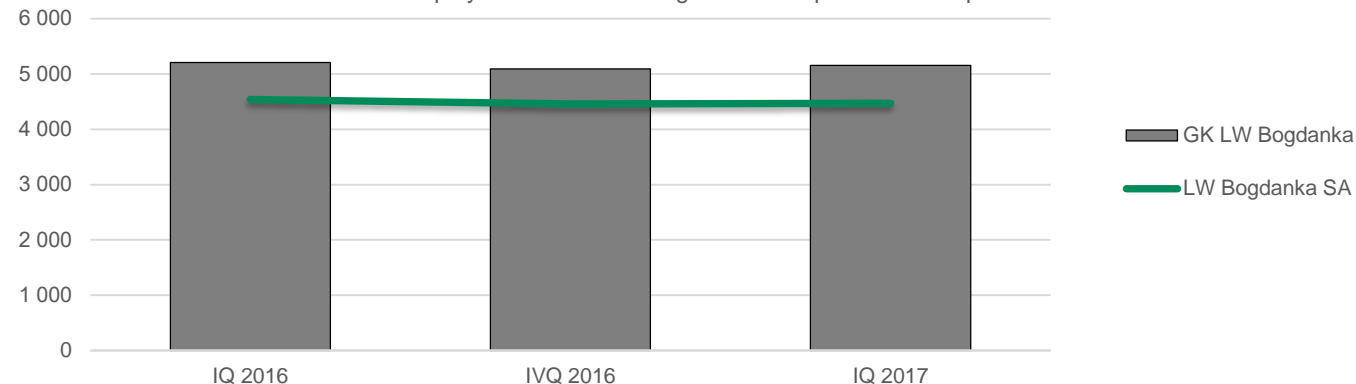
Workforce at the Group

Employment at the end of Q1 2017, calculated per full-time employees, increased by 66 persons, i.e. by 1.3% in relation to the employment level at the end of 2016. The employment level at the end of Q1 2017, decreased by 51 persons, i.e. by 1.0% in relation to the level at the end of Q1 2016. The decrease in employment at the end of the year followed by higher employment resulted from the necessity to adjust the manpower to the current production needs of the Group.

Workforce of the Parent

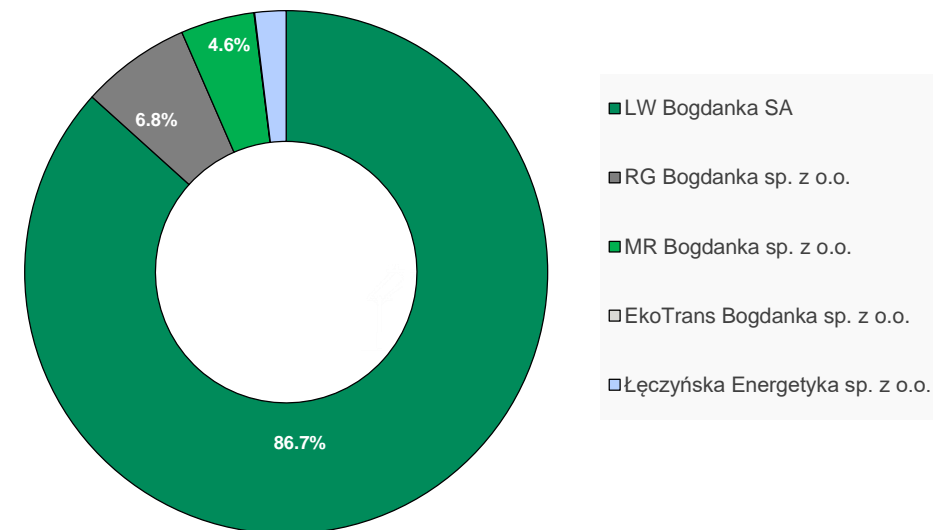
In Q1 2017, 38 employees were hired, while 14 employees left the Company.

Employment in the LW Bogdanka Group in individual periods



EMPLOYMENT	31 Mar. 2016	31 Dec. 2016	31 Mar. 2017	Workforce structure at the Group	Change Q1 2017/ Q1 2016	Change Q1 2017/ Q4 2016
Workforce at the Group calculated per full-time employees						
Total workers	3,909.0	3,847.0	3,845.0	-	-1.6%	-0.1%
Underground workers	2,966.0	2,907.0	2,898.0	-	-2.3%	-0.3%
Surface workers	943.0	940.0	947.0	-	0.4%	0.7%
Full-time employees underground	317.0	307.0	310.0	-	-2.2%	1.0%
Full-time employees on the surface	313.6	307.6	315.6	-	0.6%	2.6%
Total underground	3,283.0	3,214.0	3,208.0	-	-2.3%	-0.2%
LW Bogdanka S.A.	4,539.6	4,461.6	4,461.6	86.7%	-1.5%	0.2%
RG Bogdanka sp. z o.o.	339.0	297.0	350.0	6.8%	3.2%	17.8%
MR Bogdanka sp. z o.o.	225.2	231.2	235.3	4.6%	4.5%	1.8%
EkoTrans Bogdanka sp. z o.o.	2.0	2.0	2.0	-	-	-
Łęczyńska Energetyka sp. z o.o.	102.5	99.5	99.5	1.9%	-2.9%	-
LW Bogdanka Group	5,208.3	5,091.3	5,091.3	100.0%	-1.0%	+1.3%

Workforce structure at the Group broken down into companies





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

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

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

The Parent 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.



Management approach

Integrated Enterprise Risk Management System (ERM) and IT Risk Manager – risk management system of the LW Bogdanka Group is based on policies and procedures such as: LW Bogdanka Group Corporate Risk Management Policy, Group Corporate Risk Management Model – ERM Procedures, LW Bogdanka Group Risk Register, LW Bogdanka Group Risk Map, List of Strategic Risks of the LW BOGDANKA Group, and Programs of Strategic Risk Mitigating Measures at the Group.

Integrated Management System – operational management at the LW Bogdanka Group 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 Group’s situation and its activities. Currently the following documents are in effect: “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. In Q1 2017 a group of employees was subject to a test of understanding of ethical matters and the effectiveness of the Code of Ethics.

Close to nature



In addition to activities related to meeting legal requirements as regards the protection of natural undertakes other pro-environmental initiatives.

Together with the Polish Society for the Protection of Birds (OTOP), it created and manages the “Nadrybie” educational path, outlined around the Nadrybie Reservoir. 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.

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.

As a founder and co-organiser (along with the Polish Society for the Protection of Birds (OTOP)) of the Nadrybie educational path, the Bogdanka Group plans to continue the development of its infrastructure and to intensify educational measures carried out within this area. In March 2016, Bogdanka and OTOP developed a detailed plan of new investments in the educational path which is to be extended by new areas, and, thanks to constructing an observation tower and a bridge over the flowage, to be made a more attractive place for the local community.

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

Relations with the local community

From the very beginning of its existence, the LW Bogdanka Group has been supporting the local community, including a wide range of social initiatives, aimed at the development of the cultural, scientific, educational and health realm, construction of communal infrastructure, and answering other needs of the local community. The Group also sponsors sporting and cultural activity. In its efforts to support health and safety, the Group co-financed the purchase of a pulse oximeter for the Children's Research Hospital in Lublin and it supports two MONAR centres located in close vicinity to Bogdanka. The Bogdanka Group is also involved in educational activities related to autism, and has supported the participation of preschool children from Łęczna in the celebration of an International Autism Day taking place on the Tadeusz Kościuszko square in Łęczna.

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 first quarter of 2017, the costs of statutory activities amounted to PLN ok. 51,000, which included:

- scholarships for good marks at school, special and social scholarships – about PLN 7,000;
- medical treatment and rehabilitation – PLN 39,000;
- help provided to educational, care and nurture institutions – PLN 5,000.

Employee volunteering



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 Q1 2017 several hundred kilogrammes of plastic bottle caps were collected.



Gold Rush – the project involves “getting rid” of small coins (1, 2, and 5 grosz) sitting in the wallet.

Participation in the project is the initiative of the mine's Z. Gola Honorary Blood Donors Club of the Polish Red Cross. The funds will be used to finance holiday trips, after school clubs or purchase school materials for those in care of the Lublin Branch of the Polish Red Cross.

The campaign will run until June 2017.

Other CSR projects and initiatives



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. In 2017, approx. 140 students from the Lublin Province have learnt about the occupation of a miner and the work in a mine.



Joint Social Initiatives Group - Górnictwo O.K. – is a project which aims to implement and communicate socially responsible actions, demonstrate the importance of the CSR strategy in achieving financial objectives of mining companies, and cooperate in the development of the standards for managing the process of exerting an impact on the local environment, market and employees.

In February 2017, during a special session during the 26th School of Underground Mining, a LW Bogdanka representative talked to the members of the Górnictwo O.K. initiative about Bogdanka's good practice in pursuing the objectives of sustainable development.



The working group for education and popularisation of the CSR working at the Team for Sustainable Development and Corporate Social Responsibility, a body ancillary to the Minister of Economic Development and Finance – its purpose is to support small and medium enterprises in the process of carrying out a responsible business.

Awards and accolades



Award for LW Bogdanka S.A. in the Report of the Responsible Business Forum “Responsible Business in Poland. Good Practice 2016”.



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



Recognition for charity activities received from the Children's Research Hospital in Lublin.



LW Bogdanka S.A. was in the group of laureates of the 1st edition of the Transparent Company of the Year ranking. Bogdanka received the title as a company making part of the mWIG40 index.



On 19 April the LW Bogdanka Group's Integrated Report for 2015 was awarded the main prize in the prestigious contest for the Deloitte Central European Sustainability Report Award, commonly referred to as the Green Frog Award (GFA).



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 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 Łęczyska 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 financial forecasts). As at the date of drawing up the information, there are no premises indicating possible inability to settle contracted liabilities in future.

On 10 March 2017 the Management Board of the Parent signed an annex to an agreement on the Bond Issue Programme of 30 June 2014, concluded with Bank Polska Kasa Opieki S.A. and Bank Gospodarstwa Krajowego. Therefore, the redemption date of 300 bonds with a nominal value of PLN 1,000,000 (one million) each, and total nominal value of PLN 300,000,000 (three hundred million zlotys) was changed to 30 March 2017, and on that day the bonds were redeemed.

Production, sale and inventories of coal

In the first quarter of 2017, the production of commercial coal in the Parent increased by 3.7% compared to the same period of 2016 and amounted to 2,422,000 tonnes.

Production of commercial coal by the Parent.

['000 tonnes]	Q1 2016	Q1 2017	Change	Change %
Production of commercial coal	2,335	2,422	87	3.7%

Structure of commercial coal production by the Parent

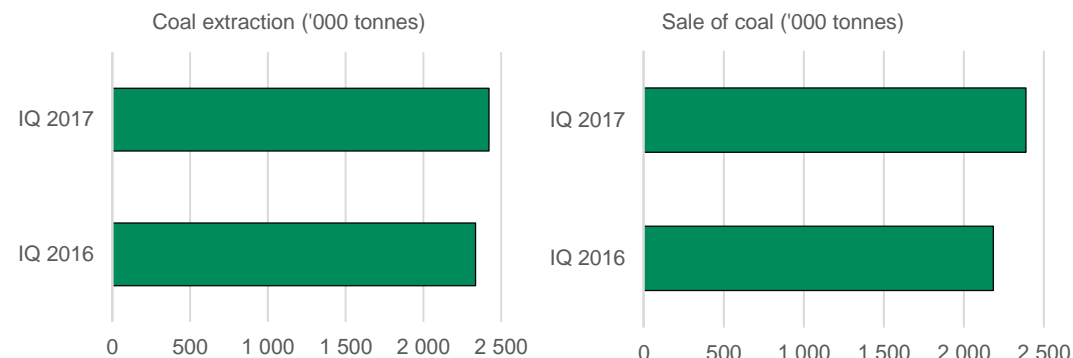
[%]	Q1 2016	Q1 2017
Fine coal	99.3%	98.4%
Nut coal	0.2%	0.7%
Pea coal	0.5%	0.9%
Total	100.0%	100.0%

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

Commercial coal sales at the Parent

['000 tonnes]	Q1 2016	Q1 2017	Change	Change %
Sale of commercial coal	2,184	2,389	205	9.4%

The sales of coal in Q1 2017 increased by 9.4% compared to Q1 2016 and amounted to 2,389,000 tonnes.



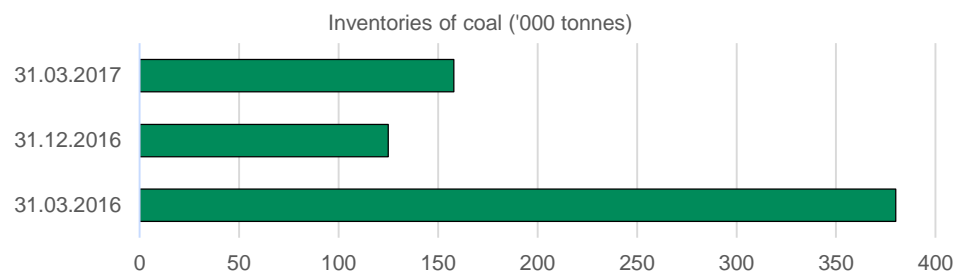
As at the end of Q1 2017, the inventories of coal at the Parent amounted to 158,000 tonnes which means an increase by 33,000, i.e. by 26.4%, compared to 31 December 2016. The level of coal inventories as presented for the end of Q1 2017 corresponds to approx. five days of commercial coal production (on the basis of an average 3-month daily production).

Inventories

['000 tonnes]	31 Mar. 2016	31 Dec. 2016	31 Mar. 2017	Change [%] 31 Mar. 2017/ 31 Dec. 2016	Change [%] 31 Mar. 2017/ 31 Mar. 2016
Inventories of coal	380	125	158	26.4%	-58.4%



Revenue and key customers



The information on coal market in Poland is presented in this Report on pages 10-12.

Revenue and key customers

In Q1 2017, the LW Bogdanka Group generated revenue in the amount of PLN 465,166,000, which represents an increase by 10.6% compared to Q1 2016.

The main source of revenue on sales of the LW Bogdanka Group in Q1 2017 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 values indicated in the income statement for the period from 1 January to 31 March 2017, revenue was adjusted by PLN 20,406,000, while in the same period of the previous year – by PLN 20,962,000.

More than 92% of coal sales (in terms of value) in the period from 1 January 2017 to 31 March 2017 was effected between the Parent and Enea Wytwarzanie sp. z o.o., Enea Połaniec (formerly: ENGIE Polska Energia 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 analogous period of 2016 the share of the above customers in coal sales stood at a level of approx. 96%.

Dynamics of changes in product range with respect to revenue

[PLN '000]	Q1 2016	Q1 2017	Change	Change %
Sale of coal	405,020	448,829	43,809	10.8%
Other activities	12,456	13,873	1,417	11.4%
Sale of goods and materials	3,093	2,464	-629	-20.3%
Total revenue	420,569	465,166	44,597	10.6%

In Q1 2017 revenue on other operations were PLN 13,873,000 (3.0% of total revenue), compared to PLN 12,456,000 (2.9% of revenue) in the analogous period of 2016 (+11.4% 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 (the increase related to the sale of coal to Ukraine)
- 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 lease of non-current assets.

The share of revenue from the sale of goods and materials in Q1 2017 was approx. 0.5%. In the analogous period of 2016 this share was 0.7%. In the analysed periods of 2016 and 2017, the dominant position in this group of revenue was revenue on the sales of scrap by the Parent, which to the highest extent affected the change in revenue in this group.

Revenue - structure by product types

[%]	Q1 2016	Q1 2017
Sale of coal	96.4%	96.5%
Other activities	2.9%	3.0%
Sale of goods and materials	0.7%	0.5%
Total revenue	100.0%	100.0%

The activities of the Group are largely focused on the Polish market - the share of export revenue in the total revenue was 5.4% in Q1 2017, and primarily referred to the export of coal to Ukraine. In the analogous period of 2016 this share was 0.2%.

Geographical structure of revenue

[PLN '000]	Q1 2016	Structure	Q1 2017	Structure
Domestic sales	419,587	99.8%	440,185	94.6%
Foreign sales	982	0.2%	24,981	5.4%
Total revenue	420,569	100.0%	465,166	100.0%



Costs in LW Bogdanka S.A.

Costs

Costs of LW Bogdanka are presented in as costs by type and costs by function. The recording of prime costs by type covers all expenditure related to the factors and means of production used by the Parent in its operating activities. 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 Parent 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
Q1

In Q1 2017, LW Bogdanka S.A. incurred costs by type in the amount of PLN 432,138,000 (PLN - 5,049,000 y/y), i.e. by 1.2% higher than in Q1 2016. The drop in costs in Q1 2017 was mainly due to lower costs of depreciation/amortisation, employee benefits, entertainment and advertising costs and other costs, with a concurrent increase in materials and energy used, external services as well as taxes and charges.

The value of depreciation/amortisation went down by 4.3% (to PLN 87,959,000) – depreciation/amortisation of non-current assets decreased (in connection with a longer period of using certain assets, which translated into smaller base for depreciation/amortisation) as well as the activity depreciation.

Total cost of materials and energy consumption went up by 6.4% (PLN +6,825,000) compared to Q1 2016, and totalled PLN 112,660,000. In the period under analysis, a drop was recorded in the value of functioning of the Mechanical Coal Processing Plant (MCP) and an increase in the value of materials used for preparatory works (19% more galleries and reconstructions were performed than in the comparable period of 2016). 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).

Compared to Q1 2016, the value of outsourced services in Q1 2017 went up from PLN 94,153,000 to PLN 101,136,000 (+7.4%). In the period under analysis the value of mining services (including work on Saturdays and Sundays and drilling of excavations) increased, transport services (due to a higher 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 Q1 2017, compared to Q1 2016, the value of employee benefits dropped by PLN 11,930,000. In the analysed period drop was recorded both in the average employment and the average monthly salary level, compared to analogous period of 2016. Additionally in 2016 an award was paid to the employees (a provision for this award was made in December 2015).

The value of taxes, fees and charges went slightly up in Q1 2017 to PLN 11,341,000 from PLN 10,643,000 in Q1 2016 – 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 Q1 2017 dropped from PLN 4,013,000 (in Q1 2016) to PLN 829,000 – a change in settlement period of insurance policies resulted in a transfer in cost register, in the group of accounts 4 (a significant increase in other costs, resulting from the abovementioned transfer, was visible in Q1 2016, however the change is adjusted by accruals and deferrals, therefore it has no impact on EBIT).

Having adjusted costs by type of the change in products and accruals and deferrals, the costs of own work and the costs of goods and materials sold, we obtain own selling cost which for Q1 2017 amounted to PLN 378,854,000. As compared to the previous year, it is higher by 10.2% (with a simultaneous year-to-year increase by 9.4% y/y in the amount of coal sold).

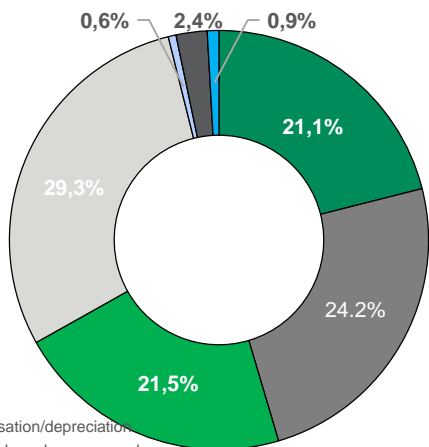
Costs by type

[PLN '000]	Q1 2016	Q1 2017	Change
Net production [in '000 tonnes]	2,335	2,422	3.7%
Sales [in '000 tonnes]	2,184	2,389	9.4%
Amortisation/depreciation	91,910	87,959	-4.3%
Materials and energy consumption	105,835	112,660	6.4%
External services	94,153	101,136	7.4%
Employee benefits	127,903	115,973	-9.3%
Entertainment and advertising costs	2,730	2,240	-17.9%
Taxes, fees and charges	10,643	11,341	6.6%
Other costs	4,013	829	-79.3%
Total costs by type	437,187	432,138	-1.2%
Cost of own work	-46,868	-58,223	24.2%
Accruals and deferrals	18,104	13,987	-22.7%
Value of coal obtained from excavations	-20,962	-20,406	-2.7%
Provisions and other presentation adjustments between costs by type and by function	-21,928	11,696	-
Total production cost	365,533	379,192	+3.7%
Change in inventory of products	-24,906	-2,702	-89.2%
Costs of goods and materials sold	3,086	2,364	-23.4%
Own cost of sales, including:	343,713	378,854	+10.2%
Costs of products, goods and materials sold	313,539	341,381	8.9%
Selling costs	9,851	13,558	37.6%
Administrative expenses	20,323	23,915	17.7%

Costs in LW Bogdanka S.A.

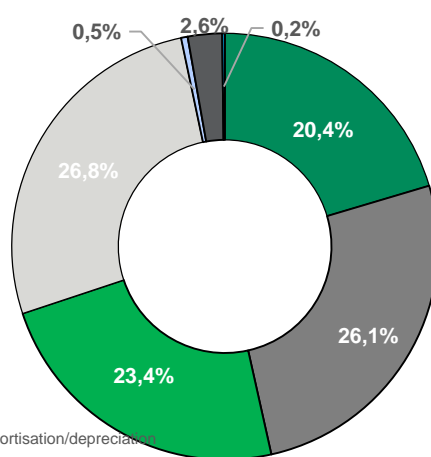
The changes presented in the group of costs by type had an impact on the change in the structure thereof. In Q1 2017 (compared to the same period of the previous year) the share of materials and energy consumption went up (to 26.1%) and so did the share of outsourced services (to 23.2%), while the share of amortisation/depreciation dropped (20.4%). Costs of employee benefits, outsourced services and materials and energy used accounted for almost 76% of costs by type between 1 January 2017 and 31 March 2017, while in the comparable period of 2016 it was almost 75% of total costs of the Parent.

Structure of costs by type Q1 2016



- Amortisation/depreciation
- Materials and energy used
- Outsourced services
- Employee benefits
- Entertainment and advertisement
- Taxes and charges
- Other

Structure of costs by type Q1 2017



- Amortisation/depreciation
- Materials and energy used
- Outsourced services
- Employee benefits
- Entertainment and advertisement
- Taxes and charges
- Other

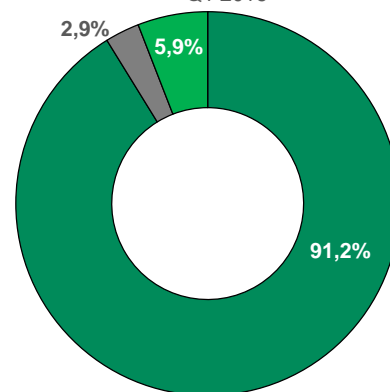
Costs by function

Own cost of production sold (by function) in Q1 2017 was PLN 378,854,000 and was higher by 10.2% (PLN 35,141,000) than the cost incurred in Q1 2016 - the increase y/y is mainly a result of low base in 2016 (adopting actuarial assumptions for the valuation of provisions for employee benefits, which resulted in a reduction of costs of provisions and other adjustments). Additionally in Q1 2016 coal worth approx. PLN 25,000,000 was classified as inventories (which decreased the costs of production sold), while in Q1 2017 production worth approx. PLN 2,700,000 was classified as inventories (calculated at the technical production cost).

Costs by function

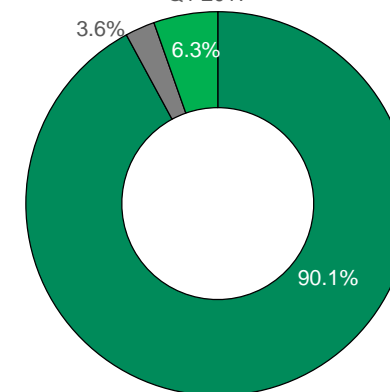
[PLN '000]	Q1 2016	Q1 2017	Change
Net production [in '000 tonnes]	2,335	2,422	3.7%
Sales [in '000 tonnes]	2,184	2,389	9.4%
Costs of products, goods and materials sold	313,539	341,381	8.9%
Selling costs	9,851	13,558	37.6%
Administrative expenses	20,323	23,915	17.7%
Own cost of sales	343,713	378,854	+10.2%

Structure of costs by function Q1 2016



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

Structure of costs by function Q1 2017



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



Provisions

Provisions at the LW Bogdanka Group

Balance-sheet provisions

[PLN '000]	31 Mar. 2016	31 Mar. 2017	Change 2017/2016 [%]
Employee benefits	245,273	276,089	12.6%
Provision for real property tax	25,975	35,223	35.6%
Provision for the mine closure costs and land reclamation	131,012	118,124	-9.8%
Mining damage	8,397	4,337	-48.4%
Provision for Social Insurance Institution (ZUS) claim for accident contributions	19,055	20,358	6.8%
Other	31,304	14,039	-55.2%
TOTAL	461,016	468,170	+1.6%

The total provisions as at 31 March 2017 amounted to PLN 468,170,000, which means an increase by 1.6% compared to the value as at 31 March 2016.

As compared to 31 March 2016, the employee provisions grew by 12.6% and as at 31 March 2017 amounted to PLN 276,089,000 - in relation to reevaluation of provisions the value of provisions for jubilee awards and other provisions, which include a provision for the Voluntary Redundancy Programme in the amount of PLN approx. 21,000,000. At the same time the provision for coal allowance dropped.

Changes in provisions

[PLN '000]	Change in Q1 2016	Change in Q1 2017	Change
Employee benefits	-6,264	9,108	-
Provision for real property tax	2,094	2,767	32.1%
Provision for the mine closure costs and land reclamation	833	701	-15.8%
Mining damage	-100	-103	3.0%
Provision for Social Insurance Institution (ZUS) claim for accident contributions	328	316	-3.7%
Other	1,397	125	-91.1%
TOTAL	-1,712	12,914	-

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

[PLN '000]	Change of provisions in Q1 2017	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 benefits	9,108	15,005	1,741	-	-	-7,638
Provision for real property tax	2,767	1,724	1,043	-	-	-
Provision for the mine closure costs and land reclamation	701	442	882	-623	-	-
Mining damage	-103	-	-	-	-	-103
Provision for Social Insurance Institution (ZUS) claim for accident contributions	316	-	316	-	-	-
Other	125	51	74	-	-	-
TOTAL	12,914	17,222	4,056	-623	-	-7,741





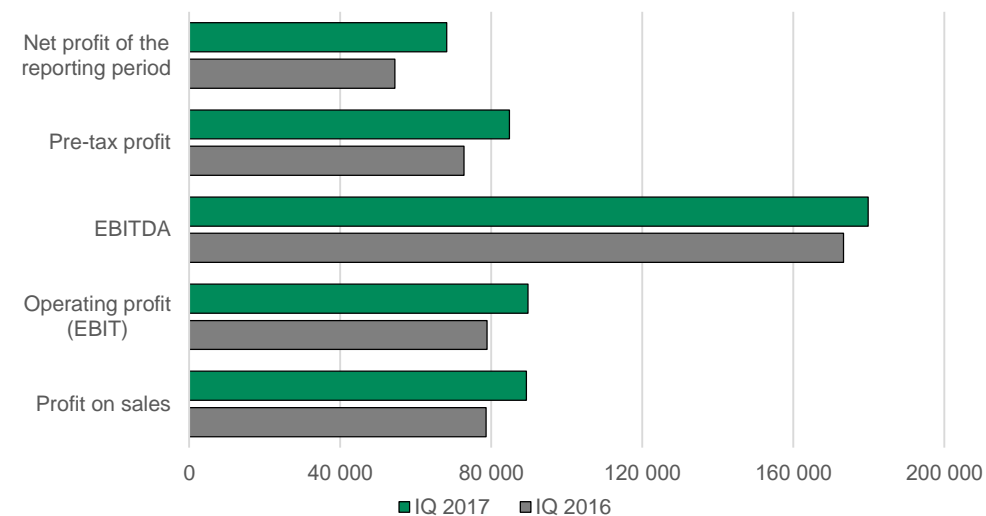
Financial highlights

Financial highlights of the LW Bogdanka Group

Analysis of the consolidated income statement

[PLN '000]	Q1 2016	Q1 2017	Change
Revenue	420,569	465,166	10.6%
Costs of products, goods and materials sold, selling and administrative expenses	341,953	375,836	9.9%
Profit on sales	78,616	89,330	+13.6%
Gross sales margin	18.7%	+19.2%	0.5 p.p.
Other income	1,059	1,228	16.0%
Other costs	583	55	-90.6%
Net operating profit	79,092	90,503	+14.4%
Other net losses	207	760	267.1%
Operating profit (EBIT)	78,885	89,743	+13.8%
EBIT margin	18.8%	+19.3%	0.5 p.p.
EBITDA	173,345	179,820	+3.7%
EBITDA margin	41.2%	+38.7%	-2.5 p.p.
Finance income	1,615	2,519	56.0%
Finance costs	7,671	7,400	-3.5%
Profit before taxation	72,829	84,862	+16.5%
Pre-tax profit margin	17.3%	18.2%	0.9 p.p.
Income tax	18,383	16,683	-9.2%
Net profit for the financial year	54,446	68,179	+25.2%
Net sales margin	12.9%	14.7%	1.8 p.p.

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





Financial highlights

Revenue

The value of revenue for Q1 2017 increased by 10.6% compared to the same period of the previous year and amounted to PLN 465,166,000.

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

In Q1 2017 the costs of products, goods and materials sold plus selling and administrative costs went up by 9.9% compared to the same period of the previous year and amounted to PLN 375,836,000.

Profit on sales

In Q1 2017, the LW Bogdanka Group's profit on sales increased by 13.6% compared to Q1 2016. The Group generated profit in the amount of PLN 89,330,000 and the increase was a consequence of higher export sales with high margins.

Other income

In the first quarter of 2017 other income amounted to PLN 1,228,000 compared to PLN 1,059,000 a year before. In this group income on released provisions and compensations received was recorded.

Other expenses and other net losses

In Q1 2017 other operating expenses amounted to PLN 55,000 compared to PLN 583,000 in the same period of 2016. This item included primarily donations.
Between January and March 2017 net losses amounted to PLN 760,000 compared to losses of PLN 207,000 incurred for the same period of the previous year. In 2017 a main item was loss on sales of non-current assets.

EBIT

The operating result in Q1 2017 amounted to PLN 89,743,000 and was higher by 13.8% compared to Q1 2016, whereas EBIT for Q1 2017 was 19.3%, i.e. more by 0.5 p.p. than in Q1 of the previous year.

EBITDA

EBITDA in Q1 2017 increased by 3.7% compared to Q1 2016 and amounted to PLN 179,820,000. EBITDA margin in Q1 2017 equalled 38.7%, which shows a decrease compared to the same period of 2016. This level of the EBITDA margin is one of the highest on a global scale (among underground hard coal mines).

Finance income

Finance income in Q1 2017 amounted to PLN 2,519,000. With respect to Q1 2016 an increase of 56.0% was recorded mainly due to visibly higher average cash level.

Finance costs

In Q1 2017 finance costs amounted to PLN 7,400,000 and were lower by 3.5% than the costs in the same period of 2016. In the period under analysis an average value of interest-bearing debt slightly dropped.

Total debt of the Group amounted to PLN 322,544,000, including that of the Parent of PLN 300,041,000 as at 31 March 2017.

Profit before taxation

In Q1 2017 the LW Bogdanka Group generated pre-tax profit of PLN 84,862,000 compared to the generated profit of PLN 72,829 in Q1 2016 (+16.5%).

Net profit for the financial year

In Q1 2017 the Group achieved net profit higher by 25.2% than in Q1 2016 – net profit was PLN 68,179,000 (2017) against PLN 54,446,000 (2016).

In the period under analysis, net profit attributable to the shareholders of the Parent amounted to PLN 67,852,000 compared to PLN 54,088,000 in the same period of the previous year.



Balance sheet

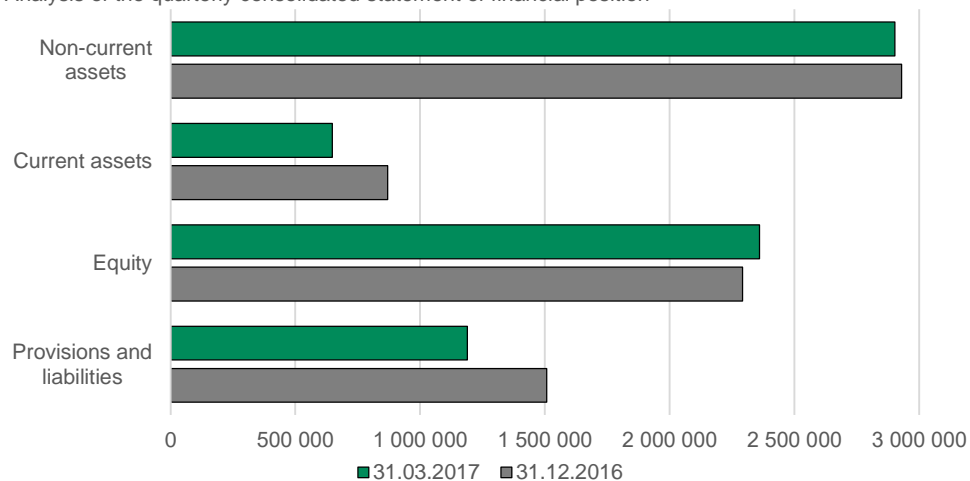
Balance sheet

Selected financial data

[PLN '000]	31 Dec. 2016	31 Mar. 2017	Change
Total assets	3,800,289	3,550,140	-6.6%
ROA	4.9%	5.3%	0.4 p.p.
Non-current assets	2,929,788	2,902,270	-0.9%
Current assets	870,501	647,870	-25.6%
Equity	2,292,407	2,360,586	3.0%
Return on Equity (ROE)*	8.2%	8.4%	0.2 p.p.
Provisions and liabilities	1,507,882	1,189,554	-21.1%

* the calculations include net result for the last four quarters and an average level of assets and equity (as at 31 March 2017 + as at 31 December 2016)/2

Analysis of the quarterly consolidated statement of financial position



Assets

The balance-sheet total as at 31 March 2017 went down to PLN 3,550,140,000 (i.e. by PLN 250,149,000) compared to the value as at 31 December 2016, with non-current assets going down by PLN 27,518,000 and current assets – by PLN 222,631,000. Within current assets the value of inventories went up by 13.1%, trade and other receivables fell by 4.4%, while cash and cash equivalents went down by 40.7%.

As at 31 March 2017 ROA increased by 4.4 p.p. comparing to the level recorded on 31 December 2016 and was 5.3% (net result of the Group for last 4 quarters, i.e. the period from 1 April 2016 to 31 March 2017, was included in the calculations as at 31 March 2017).



Equity and liabilities

The equity went up by 3.0%. This is mainly a result of adding comprehensive net income for Q1 2017 to equity.

Provisions and liabilities went down by 21.1% compared to the value as at 31 December 2016, with current liabilities going down by 34.0% (the drop in current liabilities was mainly due to the repayment bonds worth PLN 300,000,000 and a reclassification of bonds worth PLN 75,000,000 to current liabilities from the group of non-current liabilities).

At 31 March 2017 an increase in ROE was recorded (by 0.2 p.p.) compared to the end of 2016. The value of the ratio as at 31 March 2017 was 8.4% compared to 8.2% as at 31 December 2016.



Cash flow

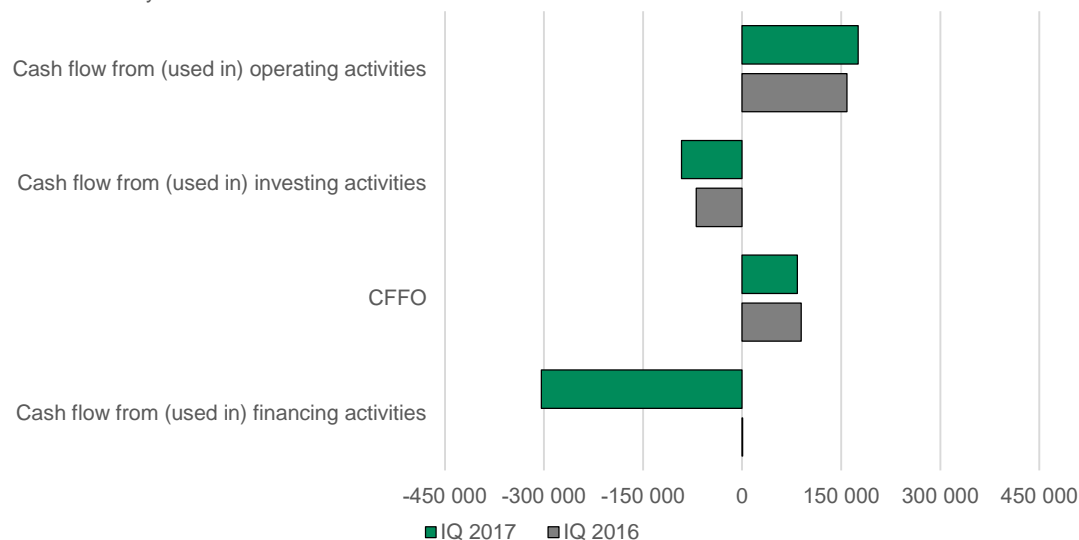
Cash flows

Consolidated cash flow

[PLN '000]	Q1 2016	Q1 2017	Change
Cash flow from (used in) operating activities	158,785	175,485	10.5%
Cash flow from (used in) investing activities	-69,374	-91,706	32.2%
CFFO*	89,411	83,779	-6.3%
Cash flow from (used in) financing activities	669	-303,803	-

*total cash flow from operating and investing activity

Analysis of the consolidated statement of cash flows



In the first quarter of 2017 the Group generated net cash flow from operating activities higher by 10.5% than in the first quarter of 2016, (in the period from 1 January to 31 March 2017 it amounted to PLN 175,485,000 compared to PLN 158,785,000 a year before).

Cash flow from investing activities increased (in absolute terms) in Q1 2017 by 32.2% (to PLN 91,706,000) compared to the same period in 2016.

In Q1 2017, the Group recorded negative cash flow from financing activities of PLN 303,803,000 (bonds worth PLN 300,000,000 were redeemed, interest of PLN 3,044,000 was paid, and a loan of PLN 759,000 was repaid), compared to PLN 669,000 in the same period of 2016.

Debt and liquidity ratios

Debt and financing structure

[PLN '000]	31 Dec. 2016	31 Mar. 2017	Change
Overall debt ratio	39.7%	33.5%	-6.2 p.p.
Ratio (debt plus employee liabilities)/EBITDA	1.47	0.98	33.3%
Net debt ratio/EBITDA*	0.136	0.002	-98.5%
Debt to equity ratio	65.8%	50.4%	-15.4 p.p.
Fixed capital to non-current assets ratio	100.2%	101.3%	1.1 p.p.
Current debt ratio	19.7%	13.9%	-5.8 p.p.
Non-current debt ratio	20.0%	19.6%	-0.4 p.p.

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

Overall debt ratio

The overall debt ratio as at 31 March 2017 went down by 6.2 p.p. compared to 31 December 2016 and reached 33.5% - the share of borrowed capital in the overall financing sources of the Group decreased (bonds worth PLN 300,000,000 were redeemed).

The level of the Group's debts as at 31 March 2017 did not pose any risk to the Group's operation and its ability to settle liabilities in a timely manner. The Group's financial needs are subject to medium-term and long-term analyses in order to secure liquidity and cash at proper levels.

Ratio debt plus employee liabilities/EBITDA

The ratio describing debt to EBITDA at the end of Q1 2017 dropped by 33.3% to 0.98. When comparing data as at 31 March 2017 to 31 December 2016, a significant fall of debt has been recorded (bonds worth PLN 300,000,000 were redeemed) with a concurrent increase in EBITDA by approx. PLN 6,500,000 (cumulatively for the last four quarters).

Ratio net debt/EBITDA

The ratio describing the relation of net debt (the total of current and non-current interest-bearing liabilities less cash and equivalents) to EBITDA dropped from 0.136 as at 31 December 2016 to 0.002 as at 31 March 2017. The value of net debt dropped by ca. PLN 81 million to a level of PLN 1,462,000, while EBITDA increased by ca. PLN 6,500,000 (EBITDA cumulatively for the last four quarters) to a level of PLN 613,014,000.

Debt to equity ratio

Debt to equity ratio as at 31 March 2017 decreased in relation to 31 December 2016 by 15.4 p.p. and was 50.4% - liabilities dropped by ca. PLN 318,328,000 along with an increase in equity by PLN 68,179,000.

Fixed capital to non-current assets ratio

The fixed capital to non-current assets ratio was 101.3% (as at 31 March 2017) compared to 100.2% (as at 31 December 2016) – in the analysed period the value of non-current assets dropped by PLN 27,518,000, while fixed capitals (equity plus non-current liabilities less provisions) increased by approx. PLN 3,800,000.



Liquidity ratios

[days]	31 Dec. 2016	31 Mar. 2017	Change
Current liquidity ratio	1.29	1.55	20.2%
Quick liquidity ratio	1.18	1.35	14.4%

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

Turnover ratios

[PLN '000]		31 Dec. 2016	31 Mar. 2017	Change
1. Inventory turnover	$\frac{\text{average inventories}}{\text{costs of products, goods and materials sold}}$	22	20	-9.1%
2. Debtors collection rate*	$\frac{\text{average receivables}}{\text{revenue}}$	50	46	-8.0%
3. Creditors payment rate**	$\frac{\text{average liabilities}}{\text{costs of products, goods and materials sold}}$	75	79	5.3%
4. Operating cycle	1+2	72	66	-8.3%
5. Cash conversion cycle	4-3	-3	-13	333.3%

* Trade and other receivables

** Trade and other liabilities

Inventory turnover ratio

The inventory turnover ratio as at 31 March 2017 dropped to 20 days, compared 31 December 2016. Disposal of inventories takes on average 2 days less. The level of coal inventories presented at the end of Q1 2017 corresponds approximately to 5 days of commercial coal production (on the basis of average daily production for three months).

Debtors collection ratio

The debtors collection rate (calculated on the basis of the balance-sheet item "Trade and other receivables") was 46 days (as at 31 March 2017), compared to 50 days (as at 31 December 2016). The drop in the ratio's value is attributable to a lower average level of receivables with a relatively higher average level of the revenue.

Creditors payment rate

The creditors payment rate (calculated on the basis of the balance sheet item "Trade and other liabilities") in the period covered by financial information got longer by 4 days to 79 days, compared to the end of 2016.

Operating cycle

The operating cycle for current assets (a sum of inventory turnover and debtors collection rate) in the analysed period shortened to 66 days. On average after 66 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 31 March 2017 was -13 days (as at 31 December 2016: -3 days). The negative value of the ratio indicates that the Group uses a non-interest-bearing trade credit.

Information on LW Bogdanka Group companies subject to consolidation

The Subsidiaries: Łęczyńska Energetyka, EkoTRANS Bogdanka, RG Bogdanka and MR Bogdanka were included in the Consolidated Quarterly Report of the LW Bogdanka Group for the first quarter of 2017, by the full consolidation method.

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

In Q1 2017 no material off-balance sheet items occurred.

Investments and capital investments of LW Bogdanka Group

The value of cash held by the Group as at the end of March 2015 amounted to PLN 432,326,000, out of which the funds of PLN 400,667,000 belonged to the Parent.

The amount of PLN 432,326,000 is disclosed as follows:

- PLN 111,244,000 disclosed in non-current assets,
- PLN 321,082,000 is disclosed in current assets.

The amount of PLN 111,244,000 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 321,082,000 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 289,423,000, while the funds accumulated at subsidiaries amount to PLN 31,659,000 (primarily to Łęczyńska Energetyka).





Information on financial instruments, bonds

Information on derivative financial instruments

As at 31 March 2017, the LW Bogdanka Group did not hold any open financial instruments.

Bonds

At the LW Bogdanka Group, only the Parent issued bonds. As at 31 March 2017, the Parent had a Programme Agreement signed on 23 September 2013 regarding the bond issue programme of up to PLN 300,000,000 concluded with Bank Polska Kasa Opieki S.A.

The total value of all bonds issued under the Agreement stands at: PLN 300,000,000.

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

Further, during the first quarter of 2017, a second Programme Agreement of 30 June 2014 was in effect. On 10 March 2017 An annex to the Programme Agreement was signed by the Parent, whereby the term of the Programme for Tranche 1 was changed from 31 December 2019 to 30 March 2017. As a consequence, all the bonds issued under Tranche 1 in the total amount of PLN 300,000,000 were redeemed on 30 March 2017. Therefore, on 30 March 2017, the Parent's liabilities under the Programme Agreement of 30 June 2014 were fully repaid.

Use of proceeds from bond issue

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

The proceeds from the bond issue were used in compliance with the purpose of the issue. Investment projects carried out with the use of these proceeds are described on page 9 of the Report.

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

The LW Bogdanka Group did not publish projections of financial results for 2017.

Assessment of the possibilities of investment plans execution

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.

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

These Consolidated Quarterly Report of LW Bogdanka S.A. for Q1 2017 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 of the Consolidated Quarterly Report of the LW Bogdanka Group for the three months ended on 31 March 2017.

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

As of the date of preparing the Directors' Report on Operations of the Group for Q1 2017 LW Bogdanka and its subsidiaries were not parties to proceedings pending before a court, a relevant authority for arbitration proceedings or a public administration authority, concerning:

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

Agreement date	Agreement value [PLN '000]	Value of acquired bonds [PLN '000]	Remaining value of bonds to be acquired [PLN '000]	Remaining value to be repaid [PLN '000]
23 September 2013	300,000	300,000	-	300,000
30 June 2014	600,000	300,000	-	-



Agreements concerning the subsidiaries' loans and borrowings

In Q1 2017 the Parent had one loan agreement in effect.

Start date	End date	Lender	Amount of loan granted [PLN '000]	Interest rate	Debt (loans) as at 31 March 2017 [PLN '000]	Repayment period
16 December 2016	30 November 2018	mBank S.A.	100,000	WIBOR 1M + margin	-	Overdraft

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

In the period from 1 January 2017 to 31 March 2017, neither LW Bogdanka nor its subsidiaries granted sureties for a credit facility or loan, nor did they grant guarantees jointly to a single entity or a subsidiary company of that entity worth the equivalent of at least 10% of the Parent's equity.

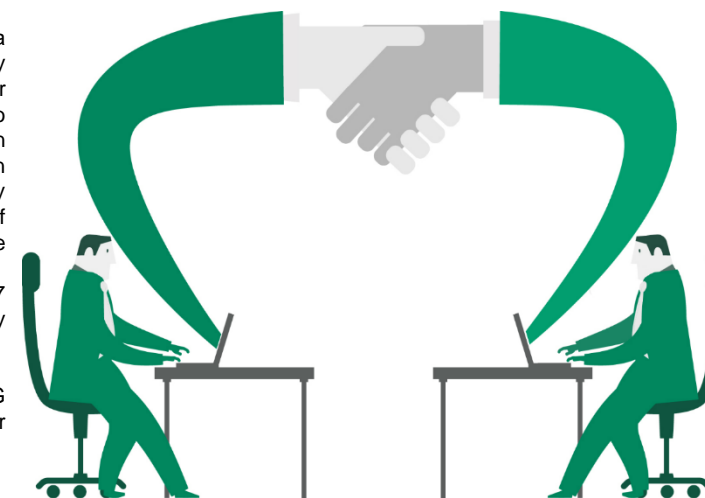
Transactions with related entities

In Q1 2017 the Parent and its subsidiaries did not conclude transactions with related entities which would be individually or jointly significant and would be concluded on a basis other than an arm's length basis. Information about all agreements that are significant from the point of view of the Issuer's operations is published in the form of current reports available at <http://ri.lw.com.pl/raporty-biezace>.

Loan and borrowing agreements signed by Subsidiaries

In accordance with an agreement of 9 June 2014, Łęczyńska Energetyka sp. z o.o. was granted a loan (of PLN 26.580,000) by the Provincial Fund for Environmental Protection and Water Management (WFOŚiGW) in Lublin, which was allocated to financing the construction of the Water Treatment Station in Bogdanka for the purposes of the existing infrastructure. The loan bears interest of 0.7 of the rediscount rate set by the Monetary Policy Council, not less than 4% annually. In 2014-2016, 100% of the granted loan amount was used, and its repayment will be gradually performed until 31 July 2024. Except for the above loan, between 1 January and 31 March 2017 Łęczyńska Energetyka sp. z o.o. did not use any third-party financing for its operations.

In Q1 2017 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
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. The Parent'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.

The Parent has a strategic majority shareholder. The majority shareholder is the Enea Group which holds a majority block of shares which accounts for 66.0% 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 Issuer are mainly institutional investors in the form of pension and investment funds.

Treasury shares

In Q1 2017 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

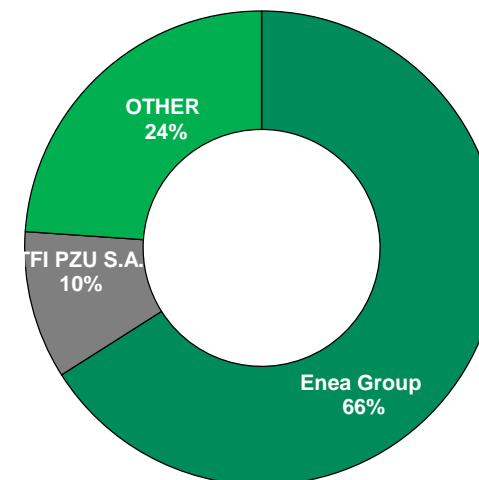
On 30 January 2017, the Parent was informed by Towarzystwo Funduszy Inwestycyjnych PZU S.A. that the TFI PZU investment funds increased their share in the total vote at LW Bogdanka S.A.'s General Shareholders Meeting to exceed 10% (for more information see Current Report No. 2/2017).

Shareholding structure

The table below shows a shareholding structure of the Parent as at 31 December 2016 and as the date of publishing this Report, i.e. 25 May 2017.

Shareholder	Number of shares/ number of votes at the Shareholders Meeting	Share capital interest/ interest in the total number of votes
Shareholding structure of LW Bogdanka S.A. as at 31 December 2016		
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 structure of LW Bogdanka S.A. as at 25 May 2017		
Enea Group	22,448,834	66.0%
TFI PZU S.A.	3,435,103	10.1%
Other	8,129,653	23.9%
TOTAL	34,013,590	100.0%

Shareholding of LW Bogdanka S.A. as at 25 May 2017



Participation of the LW Bogdanka shares in indices

The Parent was first listed on the Warsaw Stock exchange on 25 June 2009. In Q1 2017, 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 30 largest companies listed on the WSE Main Market, the Company was included in the index until 17 March 2017;
- 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 Górnictwo – includes companies classified into the “Mining” sector (former name of the sector was “Raw Materials”);
- 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, the Company was included in the index until 17 March 2017;
- Respect Index – index of socially responsible companies.

Analysts' recommendations and price performance of the shares

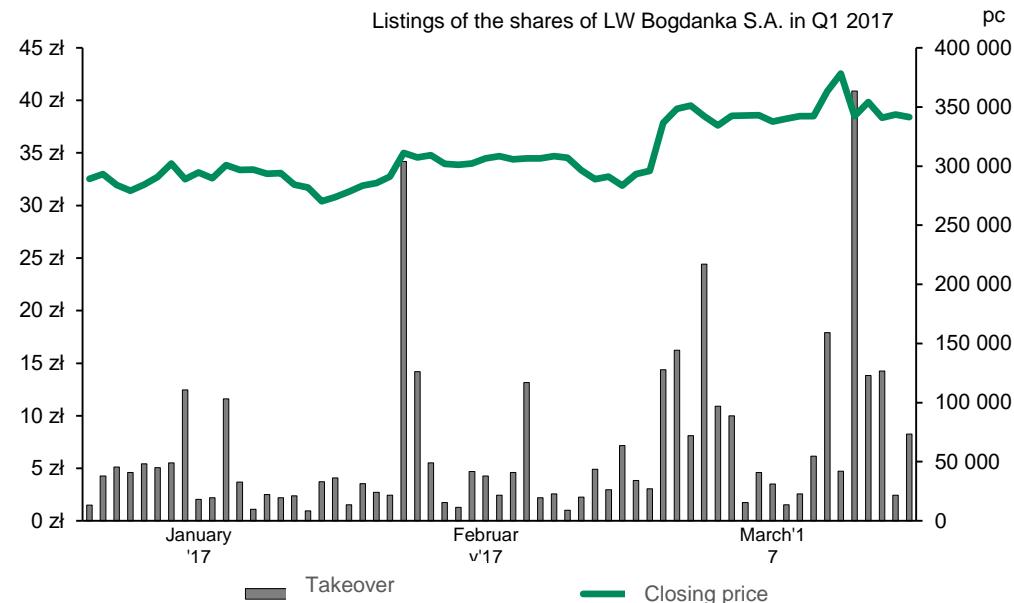
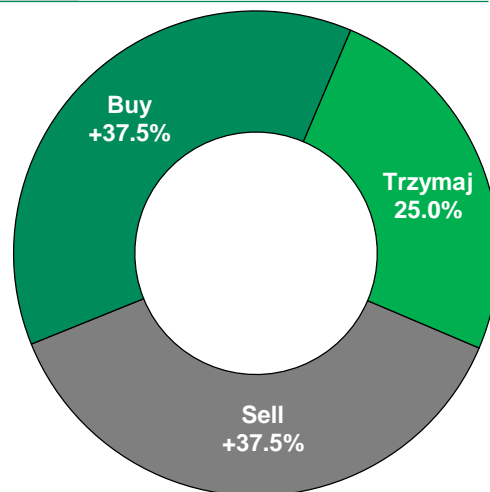
Participation of the Parent shares in indices as at 25 May 2017



Analysts' recommendations issued for LW Bogdanka S.A. in 2017

Date	Institution	Recommendation	Target price	Price on the date of issue
25 January	BZ WBK	Sell	PLN 23.00	PLN 64.85
15 February	BDM DM	Buy	PLN 89.49	PLN 74.50
15 February	BOŚ DM	Buy	PLN 80.10	PLN 67.91
16 February	PKO BP	Hold	PLN 77.00	PLN 76.80
5 April	PEKAO Investment Banking	Hold	PLN 81.80	PLN 74.90
7 April	Societe Generale	Sell	64.00 zł	PLN 74.60
20 April	BOŚ DM	Buy	PLN 82.00	PLN 71.92
26 April	DM Trigon	Sell	65.00 zł	PLN 72.75

In 2017 over 62% of analysts recommended "BUY" or "HOLD" shares of LW Bogdanka S.A.



Key share indicators:	Q1 2016	Q1 2017
Maximum price [PLN]	42.54	83.80
Minimum price [PLN]	30.39	64.00
Last price [PLN]	38.40	76.12
Average price [PLN]	34.90	73.08
Capitalisation at end of period [PLN million]	1,306.00	2,589.11
Book value [PLN million]	2,164.28	2,360.59
Price/earnings ratio	23.99	40.39
Price/book value	0.60	1.10
Average volume per session [pcs]	60,203	25,288
Average spread [bp]	34,013,590	34,013,590

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

Holdings of shares in LW Bogdanka S.A. as well as shares in related entities of the Parent 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 the Parent 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 25 May 2017	Nominal value of the shares (PLN)	Number of the Company's shares as at 30 March 2017	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 25 May 2017	Nominal value of the shares (PLN)	Number of the Company's shares as at 30 March 2017	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
Mariusz Romańczuk	0	0	0	0	0
Kamil Patyra	0	0	0	0	0
TOTAL	Number of the Company's shares as at 25 May 2017	Nominal value of the shares (PLN)	Number of the Company's shares as at 30 March 2017	Nominal value of the shares (PLN)	Number of shares in Subsidiaries
	500	2,500	500	2,500	0

*As declared of Management Board and Supervisory Board Members of the Issuer

Shares in related entities of the Parent

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 Parent, 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 Group 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



Composition of the Management Board of the Parent



Adam Partyka

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

Mr Adam Partyka 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. From June 2014 he 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 at LW Bogdanka S.A.



Stanisław Misterek

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

Mr Stanisław Misterek 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 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 Łęczyńska 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.



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 Krakow, 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), Faculty of Economics. He has gained his professional experience while working for international enterprises. Since the beginning of his career, he has concentrated on capital intensive industries. Since 2001 Mr Krzysztof Szlaga was with KPMG Deutsche Treuhand-Gesellschaft, as Audit Senior at the Assurance and Business Services 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 many years of experience in conducting complex restructuring processes in the heavy industry. Mr Krzysztof Szlaga has fluent command of German and English.



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

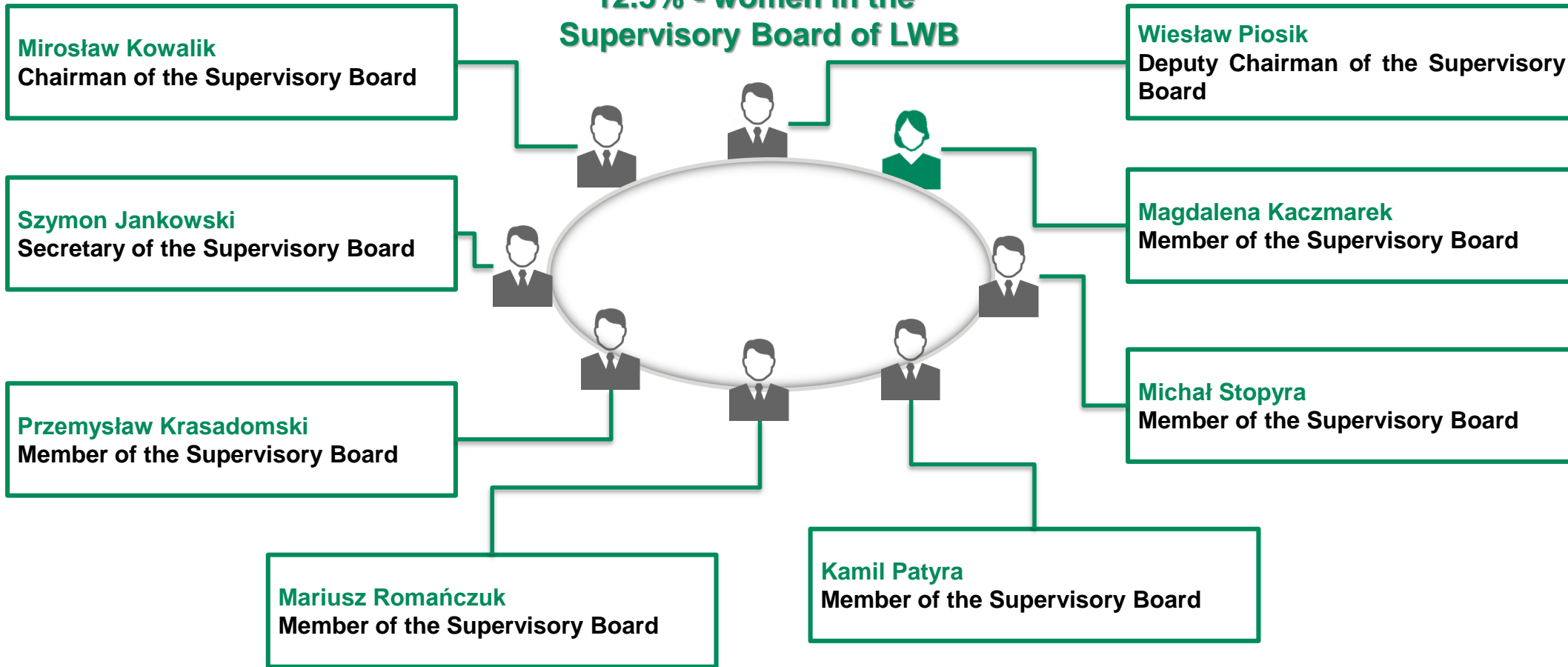
Mr Marcin Kapkowski is an automation engineer by trade. In 2001 he graduated from the Faculty of Electrical Engineering at the Technical University of Częstochowa. In the last 15 years, he has attended and completed numerous courses and business trainings. Mr Marcin Kapkowski worked with SANDVIK international 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.



Composition of the Parent's Supervisory Board as at 25 May 2017

12.5% - independent members in the Supervisory Board of LWB

12.5% - women in the Supervisory Board of LWB





Composition of the Parent's Supervisory Board as at 25 May 2017

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 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.

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.

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.

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.

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 in Techniczno Górnicza Spółka Akcyjna TEGONA S.A. in Katowice. From 2013, he has been acting as a member of the Supervisory Board of LW Bogdanka S.A.

Mariusz Romańczuk graduated in Mining and Geology, with specialisation in Underground Mining of Mineral Resources and Underground Mining, from the AGH University of Science and Technology in Krakow. He has worked for LW Bogdanka S.A. since 1989. Currently, he holds the position of Division Foreman, Deputy Head of Blasting Team.

Kamil Patyra graduated from Maria Curie-Skłodowska University in Lublin, where he completed studies in administration at the Faculty of Law and Administration. He joined LW Bogdanka S.A. in 2004 as underground machine and device repairer. In 2015 he was appointed as Company Social Labour Inspector.



Glossary



- **EBIT** – earnings before interest and taxes
- **EBITDA** – EBIT increased by 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.
- **NFOŚiGW** – National Environmental Protection Fund
- **OUG** – Regional Mining Authority
- **PFRON** – the National Fund for the Disabled
- **PGG** – Polska Grupa Górnicza (Polish Mining Group)
- **Supervisory Board of LWB** – 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.
- **WFOŚiGW** – the Provincial Fund for Environment Protection and Water Management
- **debt ratio** – ratio of total liabilities to total assets
- **debt to equity ratio** – ratio of total liabilities to equity
- **non-current assets to equity ratio** – ratio of the sum of equity, non-current liabilities, non-current accruals and non-current assets
- **current debt ratio** – ratio of current debt to total assets
- **non-current debt ratio** – ratio of non-current liabilities to equity
- **current liquidity ratio** – ratio of current assets and current liabilities
- **quick liquidity ratio** – define a company's ability to meet its short-term obligations with its most liquid assets



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SIGNATURES OF 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, 25 May 2017



Thank you!