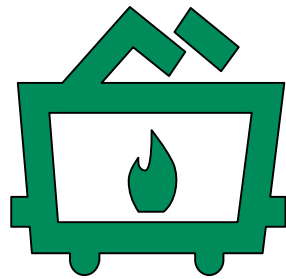




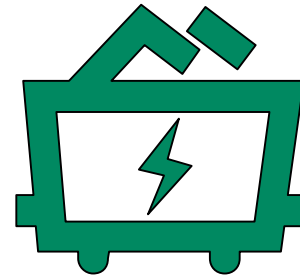
Directors' Report on Operations of the Lubelski Węgiel Bogdanka Group for the Third Quarter of 2017

Bogdanka, 23 November 2017



14.3%

Share in the hard coal market in Poland



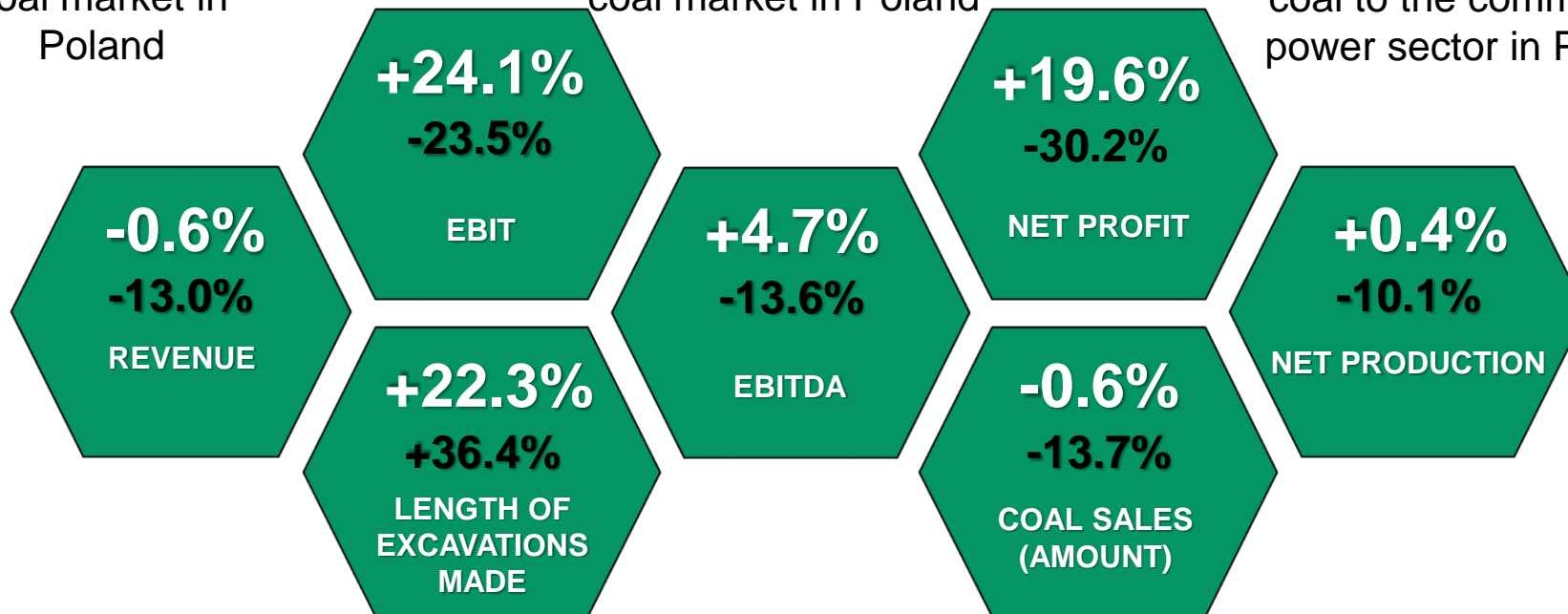
17.7%

Share in the thermal coal market in Poland



25.5%

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



□ Change Q1-Q3 2017/ Q1-Q3 2016

■ Change in Q3 2017/ Q3 2016



1. Summary of operational activities



1. Summary of operational activities	3-5
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A detailed index of issues contained in this Report can be found on page 45.

The LW Bogdanka Group achieved good financial and operating results after three quarters of 2017, because it was able to ensure the optimal use of its production capacity on the difficult market and keep a systematic cost control.

- In three quarters of 2017, the LW Bogdanka Group generated:
- net revenue of **PLN 1,307.1 million** – decrease by 0.6% y/y
 - EBITDA of **PLN 452.5 million** – increase by 4.7% y/y
 - net profit of **PLN 143.7 million** – increase by 19.6% y/y

- In Q3 2017, the LW Bogdanka Group generated:
- net revenue of **PLN 405.0 million** – decrease by 13.0% y/y
 - EBITDA of **PLN 133.9 million** – decrease by 13.6% y/y
 - net profit of **PLN 31.5 million** – decrease by 30.2% y/y

The graph below presents factors having impact on financial results of the LW Bogdanka Group:

<ul style="list-style-type: none"> • continued high efficiency despite lower sales as a result of the implementation of a cost optimisation programme • increase in prices of thermal coal on the market • expected level of inventories • obtaining of the hard coal mining licence for the Ostrów deposit 	<ul style="list-style-type: none"> • lower production (-10.1% y/y) and sales (-13.7% y/y) of coal in Q3 2017 • low output (62.4%) in Q3 2017

The Parent was consistently pursuing its cost optimisation policy, which in three quarters of 2017 allowed it to reduce total production costs **by more than PLN 39 million** in comparison to first three quarters 2016, keeping the similar production level y/y.

The LW Bogdanka Group improved **the ratio of net debt/EBITDA by more than 57%** (compared to the end of 2016) from the level of **0.14 to the level of 0.06**, which is related to a significant improvement of the Company's cash situation and the optimisation of capital expenditure.

In the past three quarters in comparison to the same period of 2016, the Group retained the extraction of thermal coal **at a level of 6.7 million tonnes of coal**. This level results from the production plan for 2017 and means a quantitative increase by 0.4% y/y.



Key events in three quarters of 2017 and events until the publication date

Q1 2017

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 from the initial date - 30 June 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 an increase in 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.

Q2 2017

Annual General Shareholders Meeting of LW Bogdanka S.A. of 26 June 2017

The Annual General Shareholders Meeting of LW Bogdanka S.A. adopted a resolution pursuant to which the net profit generated by the Parent in 2016 in the amount of PLN 175,896,313.75 was distributed 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.

The Annual General Shareholders Meeting of LW Bogdanka S.A. also set the following dates:

- dividend date – to 13 July 2017
- dividend payment date – to 2 August 2017.

The dividend 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).

The Annual General Shareholders Meeting also adopted a new Enea Group Code.

All persons representing LW Bogdanka S.A. (Management Board and Supervisory Board Members) in 2016 were granted discharge in respect of their duties.

Q3 2017 and events until the publication date

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

On 14 July 2017 the Company received a Court's decision regarding amendments to the Company's Articles of Association, adopted by virtue of a Resolution No. 28 of the Annual General Shareholders Meeting of LW Bogdanka S.A. of 26 June 2017. The amendments related to the possibility to appoint one member of the Supervisory Board by the State Treasury represented by the Minister of Energy.

Decrease in shareholding by TFI PZU S.A.

On 29 August 2017, the Company was informed by Towarzystwo Funduszy Inwestycyjnych PZU S.A. that the TFI PZU S.A. investment funds decreased their share in the total vote at the Company's General Shareholders Meeting below 10%. In relation to the above information, on 23 August 2017, TFI PZU S.A. held 3,320,620 shares in the Company, representing 9.8% of share in the Company's share capital.

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

On 29 August 2017 the Company received from Mr Wiesław Piosik a statement of resignation from the position of the Member of the Supervisory Board with effect from 25 August 2017. Mr Wiesław Piosik did not state the reasons for his resignation.

Concluding an annex to the long-term agreement with Zakłady Azotowe Puławy S.A.

On 10 October 2017 the Company signed an Annex to the Long-Term Agreement for the sale of thermal coal with the Zakłady Azotowe Puławy Group. As a result of concluding the Annex, the value of the Agreement amounts to a total of PLN 1,095 million net.

Signing an agreement on payment of coal allowances

On 17 October 2017, the Parent signed with the trade unions active at the Company an agreement to amend the Company Collective Bargaining Agreement to the extent it is related to payments of coal allowances to the retirees and pensioners. As a result of the Agreement, the balance of provisions held by the Company will change, which will result in a one-off positive impact on the operating profit in the fourth quarter 2017 in the amount of PLN approx. PLN 110 million.

Obtaining of the mining licence for the Ostrów deposit

On 20 November 2017 the Parent obtained a mining licence for the Ostrów deposit (the Ludwin Mining Area) with the exploitable resources of about 186 million tonnes.

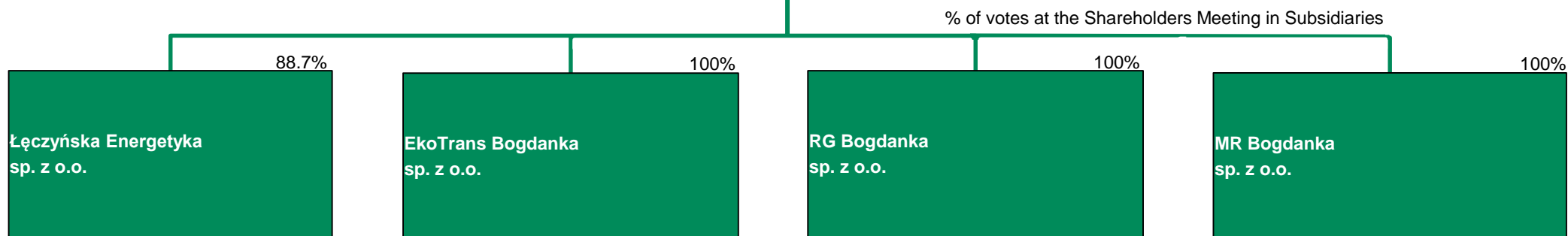
Obtaining of the licence is a key factor for the Company's plan to double its exploitable resources, as provided for in the Development Strategy of LW Bogdanka S.A. Mining Area of the Enea Group until 2025. Increasing the resource base translates into the possibility of long-term planning and ensuring the Group a stable raw-materials base.



2. Organisation and business activities of the LW Bogdanka Group



THE LUBELSKI WĘGIEL BOGDANKA GROUP



Company name	Parent's share in the share capital		Share capital	Main activity
	30 Jun. 2017	30 Sep. 2017 and 23 Nov. 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 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

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



Name and registered office of the Parent

Lubelski Węgiel Bogdanka Spółka Akcyjna

Address: Bogdanka, 21-013 Puchaczów, Lublin Province
Phone: +48 81 462 51 00, +48 81 462 51 01
Fax: +48 81 462 51 91
www: www.lw.com.pl; www.ri.lw.com.pl
Industry ID No. (REGON): 430309210
Tax Reg. No. (NIP): 713-000-57-84
E-mail: bogdanka@lw.com.pl



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

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

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

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

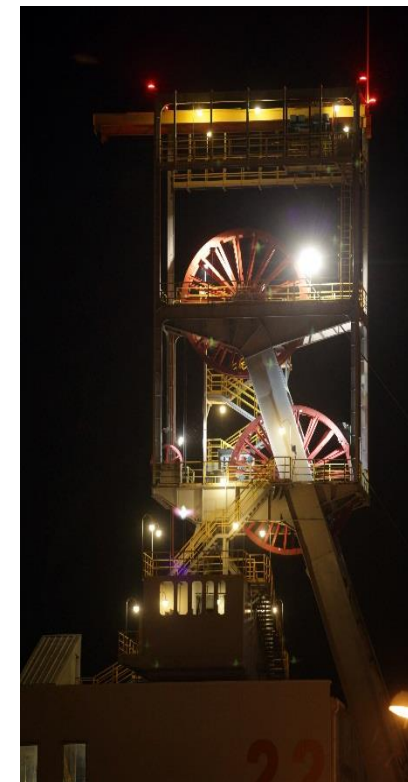
The founder of the Company is the State Treasury, represented by the Minister of the State Treasury.

The Company may operate in Poland and abroad.

The Company was established for an indefinite term.

History in Brief

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





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) at a level of 10.9%
- return on assets (ROA) at a level of 8.5%
- and an increase in nominal EBITDA by 44.0% (compared to 2015 value adjusted by the impairment loss).

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.

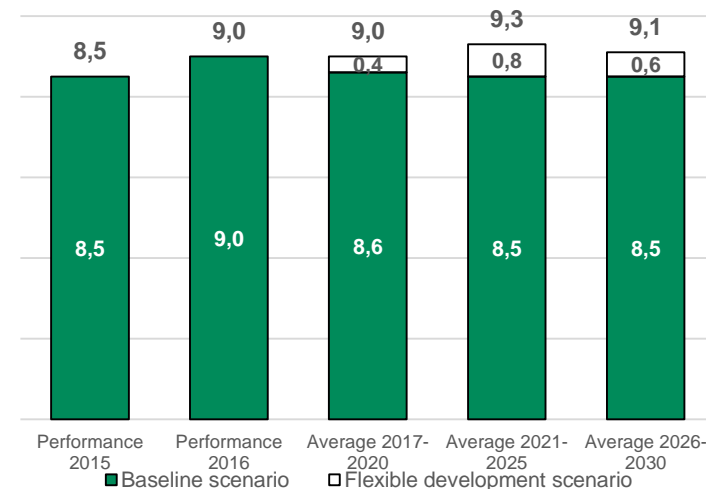
During the implementation of the Strategy, the Management Board will focus on the key areas of operations of the Parent, which include:

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 three quarters of 2017

The plan for the three quarters of 2017 included the following task groups:

- building new excavations and modernisation of the existing ones in the Bogdanka, Nadrybie and Stefanów Fields
- maintenance of machinery, including the purchase of machines and equipment and their repair and upgrade
- obtaining new licences
- other development investments: ICT, administration, transport etc.

Maintenance of machinery

Upgrades and repairs of machines and equipment – the amount of PLN 19,103,000 was assigned for the renovation of wall conveyor.

Purchases of machines and devices subject to assembly – PLN 10,469,000 was spent for a purchase and assembly of a main conveyor 1600, air barrages, a cableway and finished goods.

Obtaining new licences – on 17 November 2017 the Parent obtained a hard coal mining licence for the Ostrów deposit (the Ludwin Mining Area). The Company continues its efforts to obtain mining licence for the K-6 and K-7 as well as Orzechów deposits.

Other development investments

Development of the mining waste treatment facility in Bogdanka – PLN 1,386,000 was assigned, inter alia, for the purchase of land and for the performance of an agreement for construction and assembly works in relation to development was signed – development Stage I, part 2.

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

ICT

Alarm and monitoring systems – PLN 1,200,000 was spent to underground fire network monitoring. 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 – renewal of car fleet.

Other Construction of facilities – PLN 1,040,000 was spent for the construction of a tower crane.

Capital expenditure incurred by LW Bogdanka for excavations in three quarters of 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 excavations:	natural	13,762	45,354	260,092	214,738
Basic excavations	linear	6,543			
Reconstructions	linear / natural	963			

Over the period of three quarters of 2017, 22,458 m of roadway excavations (along with re-developments and cross-cuts) were made. Reconstruction of the excavations were continued in accordance with the schedules. Cross-cuts are not included in the values of excavations made as indicated in the tables, because they are directly recognised in the costs. However, they are included in the total length. In this case, this is about 1,190 m. The total expenditure on reconstruction of the corridor workings in that period amounted to PLN 25,637,000. *The expenditure* to build new and to upgrade existing excavations totalled PLN 189,101,000.

Selected capital expenditure in the LW Bogdanka Group

[PLN '000]	PTE 2017	Performed Q1-Q3 2017	Performed Q1-Q3 2017 [%]
New excavations and upgrades of existing ones	289,659	214,738	74.1%
Maintenance of machinery	40,243	29,577	73.5%
Obtaining new licences	18,660	1	-
Other development investments	11,614	5,120	44.1%
ICT	8,686	1,762	20.3%
Administration	20	17	85.0%
Transport	489	353	72.2%
Other	7,860	1,120	14.2%
TOTAL CAPEX in LW Bogdanka S.A.	377,231	252,688	67.0%
Łęczyńska Energetyka sp. z o.o.	8,371	2,121	25.3%
Other subsidiaries	-	32	-
TOTAL CAPEX AT THE LW BOGDANKA GROUP	385,602	254,841	66.1%

The above amount of capital expenditure includes capitalised borrowing costs of PLN 3,120,000.



Trade agreements and transactions with related entities

Trade agreements

As in previous years, the LW Bogdanka Group concluded new commercial agreements and, with respect to long-term agreements already in place, negotiated prices and volumes of deliveries for the following years. The above activities resulted in nearly 100% (as at this report date) of the volume designated for sale in 2018 having been covered with agreements. All significant agreements, material from the perspective of the LW BOGDANKA Group, as well any changes therein have been notified by the Company in current reports. During three quarters of 2017, the Company signed a significant annex to change terms of the agreement with Zakłady Azotowe Puławy S.A., as announced by the Company in Current Report No. 24/2017 of 10 October 2017.

Transactions with related entities

During the three quarters of 2017, neither the Parent nor its Subsidiaries concluded any transactions with related entities which were individually or jointly significant and concluded on terms other than on an arm's length basis.

The following table presents main agreements in effect in 2017 entered into between LW Bogdanka S.A. and its Subsidiaries.



Agreements between LW Bogdanka S.A. and Łęczyńska Energetyka sp. z o.o.	Agreements between LW Bogdanka S.A. and RG Bogdanka sp. z o.o.	Agreements between LW Bogdanka S.A. and MR Bogdanka sp. z o.o.	Agreements between LW Bogdanka S.A. and EKOTRANS Bogdanka sp. z o.o.
<ul style="list-style-type: none"> heat energy supplies water supplies and disposal of sewage, maintenance services of central heating, usable warm water and technological heat system devices sale of thermal coal and electrical power lease, rental and lending for use heating of inlet air on shaft 2.2 service and maintenance supervision rental of premises from Łęczyńska Energetyka for PSG and POS departments weighing service cold water supplies and waste water disposal from buildings in Zawadów service and maintenance of wastewater pump station, sewage disposal installation and network 	<ul style="list-style-type: none"> performance of mining works and provision of services in the LW Bogdanka S.A. mine on business days, Saturdays and holidays providing explosion works lease, rental and lending for use auxiliary works, haulage services provision of higher-rank mining supervision services in the mining facility provision of telecommunication and Internet access services 	<ul style="list-style-type: none"> delivery of elements of steel structures of adventitious equipment provision of services in the mechanical departments of machine operation underground performance of works in the LW Bogdanka S.A. mine supply of energy to the workshop-storage building repairs of machines and equipment, and their subassemblies performance of fitting and welding works delivery of elements of machines, equipment and steel structures provision of repair and construction services repairs of transport units lease, rent, and lending for use provision of telecommunication and Internet access services weighing service performance of works on Saturdays, Sundays and holidays provision of higher-rank supervision services 	<ul style="list-style-type: none"> disposal of non-dangerous waste (waste rock) lease, rental and lending for use rental of office space in a multi-functional building use of subscription

In 2016, LW Bogdanka S.A. entered into a power purchase agreement with Enea S.A., which became the Parent as a consequence of acquiring the majority of shares in LW Bogdanka S.A. For more information about agreements with the Enea Group and companies controlled by the State Treasury see Note 12 of the Consolidated Financial Statements of the LW Bogdanka Group for nine months ended on 30 September 2017.



Thermal coal prices

Situation on the international market

Europe

- USD 87/tonne - the average annual coal price (CIF ARA) in Q3 2017, i.e. +45% (compared to Q3 2016 (USD 60/tonne) and +45% compared to annual average in 2016 (USD 60/tonne)
- compared to Q2 2017 (USD 77/tonne) represents an increase by 13.0%
- as at the end of September inventories of coal in ARA ports were 4.6 million tonnes

China

- in Q3 2017, the production of coal amounted to about 883 million tonnes, i.e. down by 0.9% y/y comparing to Q2 2017
- during three quarters of 2017, approx. 2.6 billion tonnes were produced, i.e. up by 4% compared to three quarters 2016 (2.5 billion)
- imports in three quarters of 2017 was 205 million tonnes and was higher by approx. 14% compared to three quarters of 2016
- main reasons for such increase in production included high temperatures in China, lower production of electricity by water power plants as well as increasing the number of working days in mines (y/y by as many as 54 days, 330 days in 2017 compared to 276 days in 2016).

USA

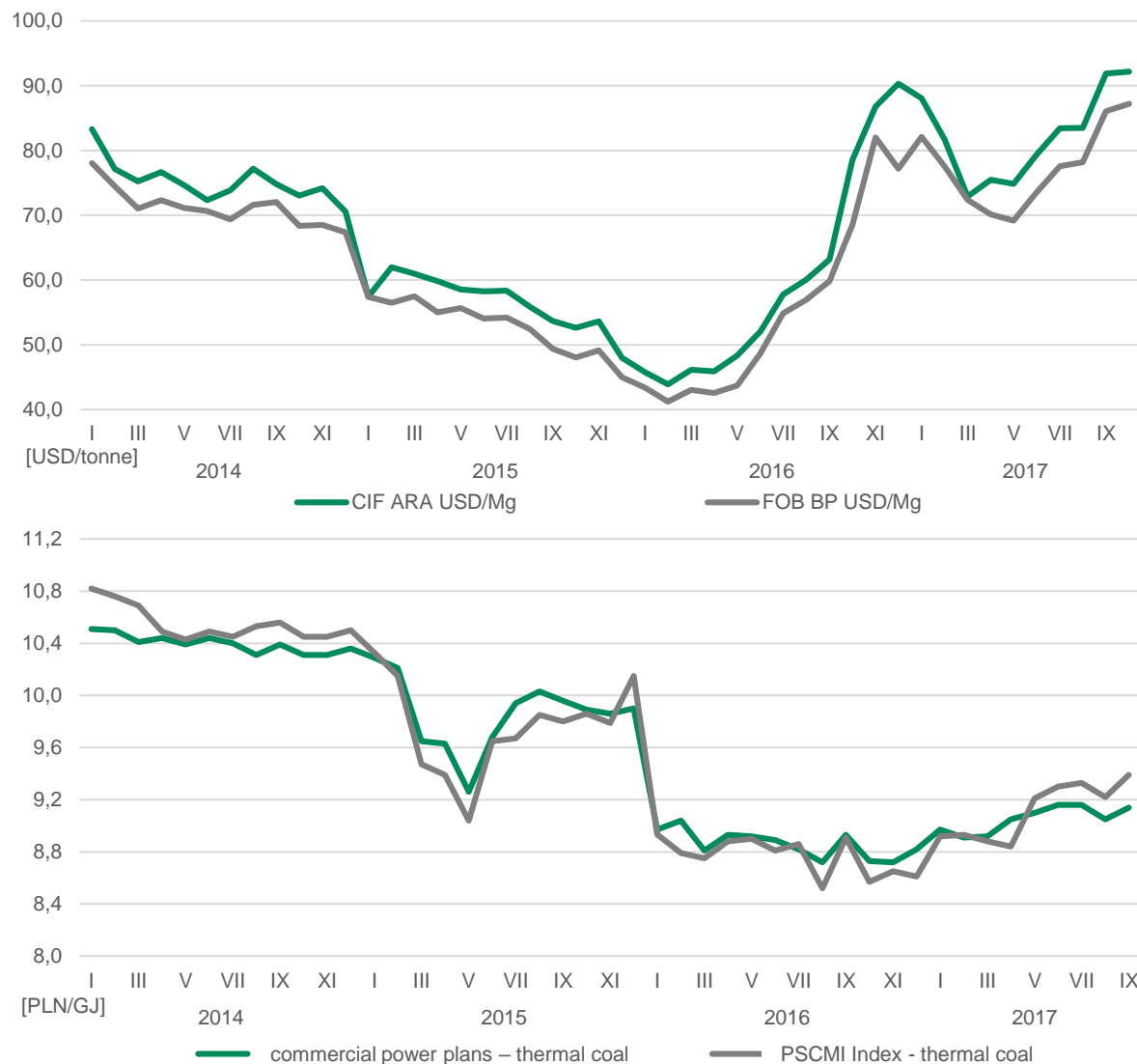
- during three quarters of 2017, approx. 536 million tonnes were produced, i.e. up by 11.7% compared to three quarters of 2016 (480 million tonnes)
- during three quarters of 2017, approx. 499 million tonnes were consumed, i.e. up by 0.2% compared to three quarters of 2016 (498 million tonnes)

Columbia

- in Q3 2017 Columbia exported approx. 20.9 million tonnes of coal, which represents an increase of 1.5% over Q2 2017
- in three quarters of 2017 approx. 63.5 million tonnes of coal were exported, i.e. down by 2.9% compared to three quarters of 2016

Situation on the domestic market

- in Q3 2017, the average price of fine thermal coal for commercial power plants was PLN 9.12 per GJ, and comparing to Q2 2017 the price increased by approx. 0.2%.
- comparing Q3 2017 to Q3 2016, average prices grew by approx. 3.4%.
- average heating value of fine coal for commercial power plants was about 21.3 GJ /tonne.
- price of fine coal for commercial power plants declined by about 13.3% between January 2014 and September 2017.
- in Q3 2017, the average price quoted by the PCSMI 1 index was approx. PLN 9.31 per GJ, i.e. +2.1% comparing to Q2 2017 (PLN 9.12 per GJ) and +6.3% comparing to Q3 2016 (PLN 8.76 per GJ).



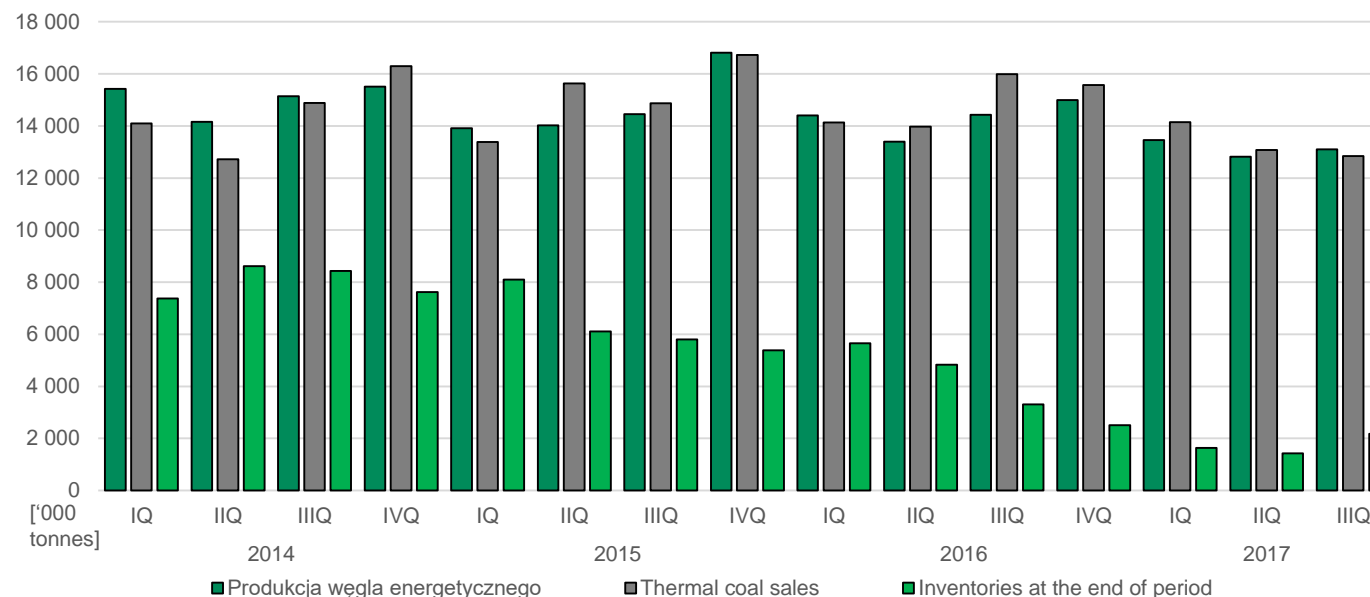
sources: Argus Media, Argus Coal Daily International, www.bloomberg.com, www.theguardian.com, ARP, ARE



Production, sales and stocks of thermal coal at the end of Q3 2017 in the domestic market

Situation in Poland:

- thermal coal production in Q3 2017 was 13.1 million tonnes, which represents a decrease by 9.0% (14.4 million tonnes) compared to the same period of 2016
- thermal coal sales in Q3 2017 were 12.8 million tonnes, which represents a decrease by 20.0% (16.0 million tonnes) compared to Q2 2016
- inventories of thermal coal sales as at the end of September 2017 were 1.7 million tonnes, which in comparison to Q3 2016 represents a decrease by 48.5% (3.3 million tonnes)
- exports of thermal coal sales in Q3 2017 amounted to 0.8 million tonnes and were lower by 42.9% (1.4 million tonnes) compared to the same period of 2016
- imports of thermal coal sales in Q3 2017 were 3.0 million tonnes, which is an increase by 114.3% (1.4 million tonnes) compared to Q3 2016.



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

- in Q3 2017, about 7.6 million tonnes were sold to commercial power plants
- this is about 0.7 million tonnes less than in the same period of 2016 (down by approx. 8,1%).



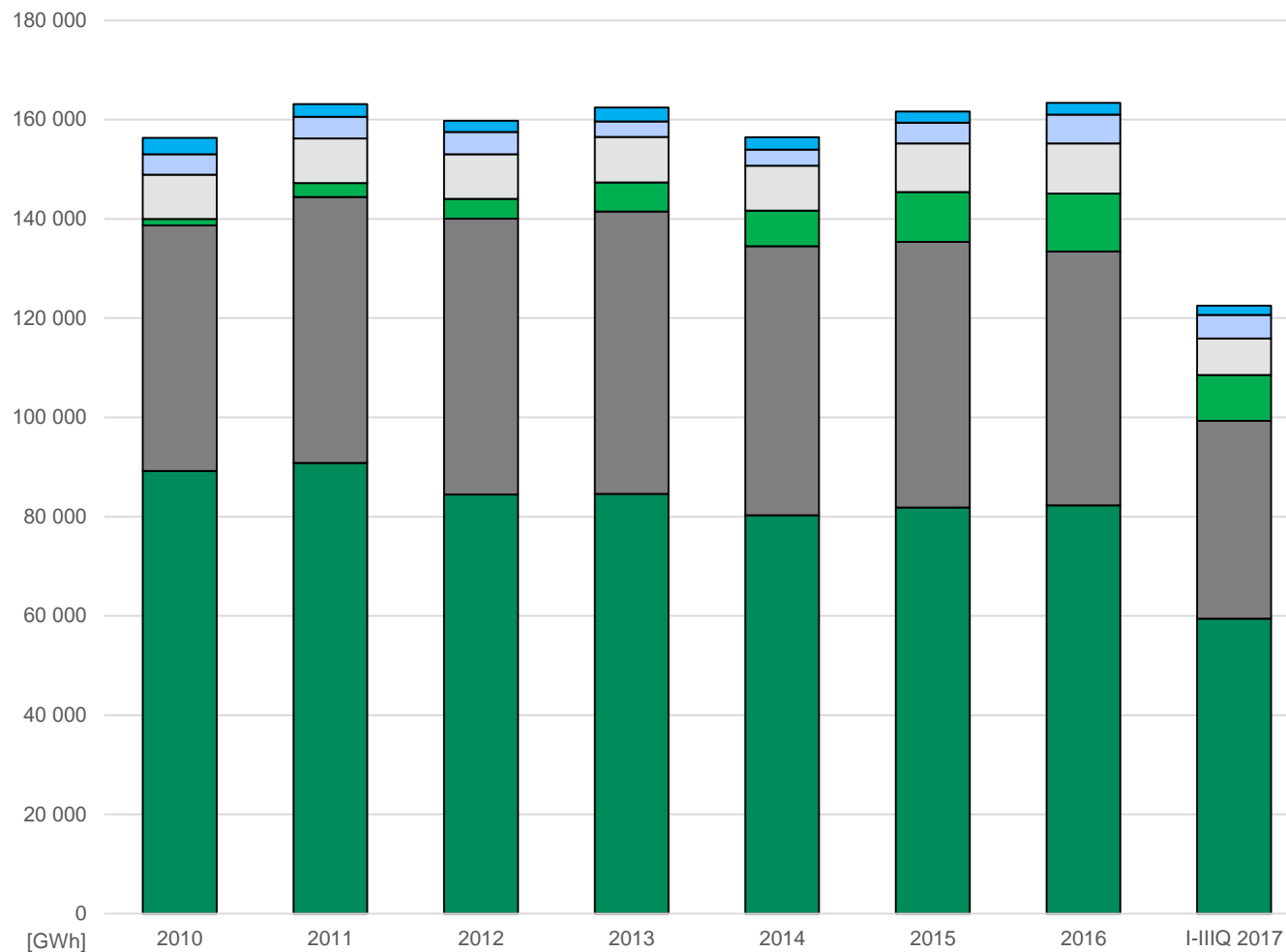
sources: ARP, ARE, www.pse.pl, www.tge.pl, Company



Electricity generation in Poland

Electricity generation in Poland

- in Q3 2017, electricity generation totalled about 39,591 GWh, which represents an increase of 1,012 GWh compared to the same period of 2016
- in cumulative terms, since the beginning of 2017, 122,528 GWh have been produced, which in comparison with the same period 2016, represents a growth of 3.390 GWh (+3%)
- in Q3 2017 hard coal was used to generate about 19,432 GWh, i.e. more than 49.0% of total electricity output in Poland; in three quarters hard coal was used to generate about 59,437 GWh, i.e. more than 48.5% of total electricity output in Poland
- in Q3 2017, hard coal was used to produce about 4.3% more electricity than in Q3 2017.



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

■ Hard coal PP ■ Lignite PP ■ Wind PP ■ Industrial PP ■ Gas PP ■ Water PP



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 activities is included in the report for the first half of 2017. Below please find the risks which in the opinion of the Group are the most important in the perspective of the next (fourth) quarter.

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

Plans of the Ministry of 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. Establishing one big entity combining former mines, i.e. KW and KHW, as well as the situation and infrastructure of its mines, entail uncertainty as to reaching the planned level of thermal coal production in Poland. Restructuring processes will shape the coal market, including the situation of the LW BOGDANKA Group. 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 thermal coal prices and raw materials alternative to thermal coal (crude oil, natural gas, renewable sources) on global markets, and consequently, on the domestic market. This is of key significance for the activities conducted by the Group, and especially by the Parent. The beginning of 2016 saw increases in thermal coal in the international market, followed by – since the beginning of 2017 – increases in thermal coal in the Polish market; however average prices of thermal coal in Poland are still far from high levels recorded before the falls occurring in 2013–2016. 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 power plants and to a relatively small group of large contracting parties. The risk of losing key customers 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 customers and expands its sales market outside Poland. Currently the Company's situation (functioning within a fuel and energy group) as well as the demand-supply situation in the Polish coal market guarantees a relatively high certainty as to the sales of thermal coal produced by the Group. Reduced production in the Silesian mines and equity links among the majority of coal producers and their customers, significantly lowered the risk of a strong price and volume competition on part of domestic producers. Countermeasures: monitoring of the coal market situation and price negotiations renewed each year with customers.

Factors related to difficulties in supplies performed through rail transport

To date, the Company has performed a majority of its coal supplies through electrified railway No. 7, which is the best manner of supplies to its key customers. Since mid-2017 a comprehensive modernisation of railway line No. 7 (sections Lublin – Puławy and Dęblin – Piława) has been underway and is scheduled for completion at the end of 2018; therefore the recipients of the Company's coal will be forced to use alternative railway routes. While line No. 7 is closed, the rail transport will be directed mainly via Lublin – Łuków (line No. 30) and Rejowiec – Zwierzyniec – Stalowa Wola (lines Nos. 66 and 69). The change of the routes and the necessity to use diesel rail vehicles for the transport will result in lengthening the delivery times thus adversely affecting the logistics processes. Possible transport delays may indirectly affect the Company's financial result. Countermeasures: Monitoring of works performed on line No. 7, permanent cooperation with carriers, customers of coal and the manager of railway infrastructure for the purpose of optimal use of alternative railways.

Factors related to the signing of an agreement on payment of coal allowances

On 17 October 2017, the Parent signed with the trade unions active at the Company an agreement to amend the Company Collective Bargaining Agreement to the extent it is related to payments of coal allowances to the retirees and pensioners. Given the above, the value of Parent's provisions for employee benefits will change with respect to coal allowance benefits and severance pays for retirees and pensioners, which will affect significantly the Groups operating result for Q4 2017. The Group also estimates that the impact of the above changes will result in an increase in the operating result by approx. PLN 110 million.



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

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 was filed at the Ministry of Environment in July this year) and further steps to obtain mining licences for the K-6-7 area.

which is subject to strict technical and technological requirements. During such operations, various stoppages can occur due to planned and unplanned technical interruptions (e.g. malfunctions). In this group of risks, there is also a risk of unexpected, usually local, deterioration of the quality of the deposit.

Countermeasures:

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

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 63.5% of the Group's employees (there are four trade union organisations at LW Bogdanka associating 71.5% of the employees). Strong position of the trade unions creates a risk that the costs of remuneration may increase in the future in connection with negotiated wage agreements, and in consequence adversely affect financial results achieved by the LW Bogdanka Group. Furthermore, possible protests and/or strikes organised by the trade unions could affect the Group's operating activities. Countermeasures: monitoring the activities of trade unions and engaging in dialogue and negotiations regarding staff and payroll actions.

Factors associated with the judgement, advantageous for the Parent, issued by the Regional Court in Lublin regarding the accident contributions

On 21 November 2017 the Court of Appeals in Lublin dismissed the appeal filed by the Social Insurance Institution against a judgment, advantageous for the Parent, issued by the Regional Court in Lublin on 7 February 2017 with respect to claims of the Social Security Institution on accident contributions (for which a provision created as at 30 September 2017 amounts to PLN 21,015,000). The Social Insurance Institution is entitled to file cassation appeal from the above judgment to the Supreme Court. More information is contained in item 4 page 6 of the Consolidated Quarterly Report of the LW BOGDANKA Group for the nine months ended on 30 September 2017.



Technical and technological factors

Extracting coal from underground seams is a complex process

unions in the Group

Trade unions hold a significant position in the hard coal mining

Workforce changes

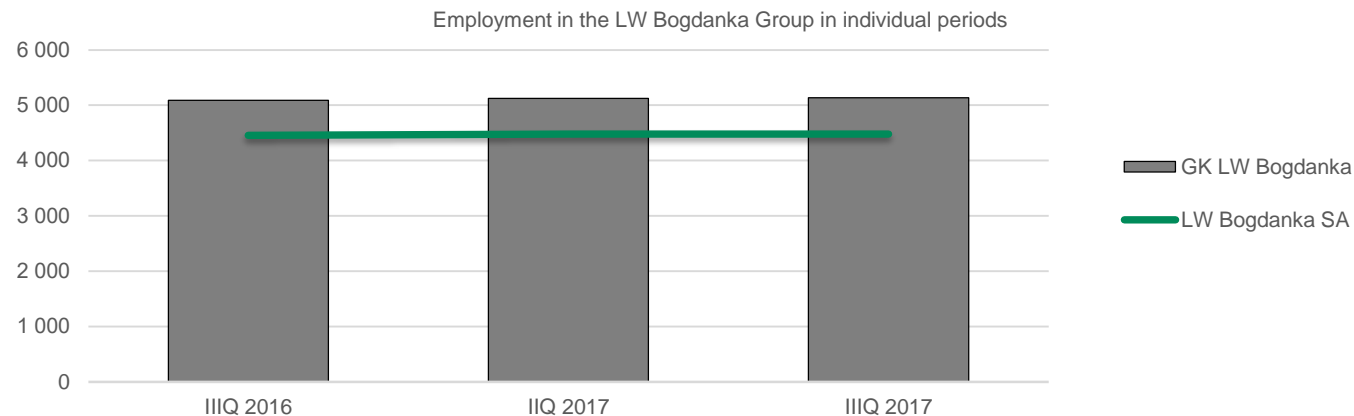
Workforce at the Group

At the end of the Q3 2017, employment at the Group increased by 50 people, i.e. by 1.0% compared to the level of employment at the end of Q3 2016. Comparing the workforce in Q3 2017 to the level of employment at the end of Q2 2017, it decreased by 13 people, i.e. by 0.3%.

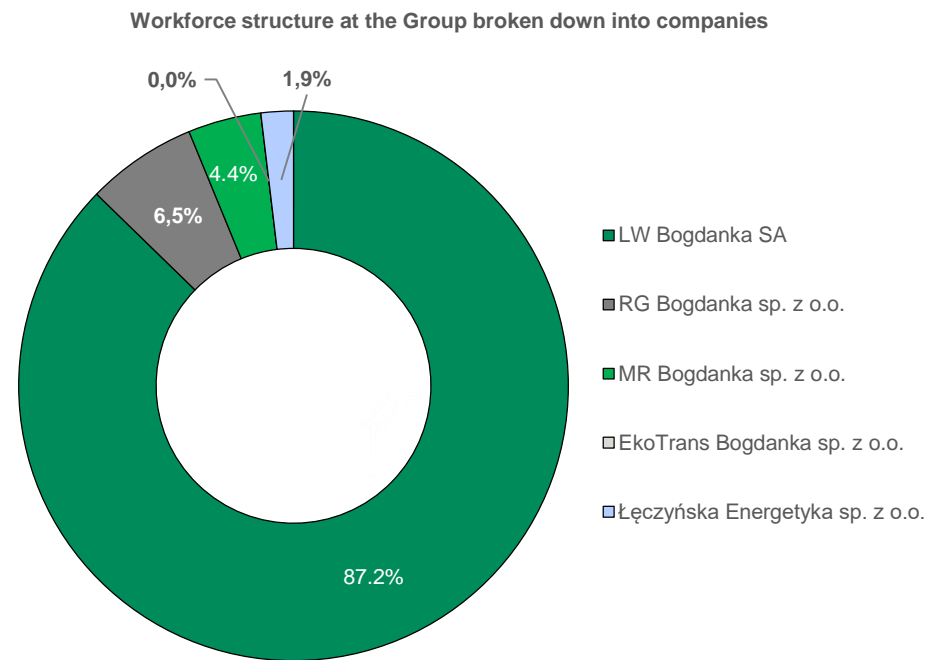
The turnover in employment primarily results from natural process of personnel retiring and the necessity to adjust the manpower to the current production needs of the Group.

Workforce of the Parent

In three quarters of 2017, 183 employees were hired to LW BOGDANKA S.A., while 150 employees left the Company.



EMPLOYMENT	30 Sep. 2016	30 Jun. 2017	30 Sep. 2017	Workforce structure at the Group	Change Q3 2017 / Q3 2016	Change Q3 2017 / Q2 2017
Workforce at the Group calculated per full-time employees						
Total workers	3,847.0	3,847.0	3,845.0	-	-0.1%	-0.1%
Underground workers	2,912.0	2,905.0	2,908.0	-	-0.1%	0.1%
Surface workers	935.0	942.0	937.0	-	0.2%	-0.5%
Full-time employees underground	304.0	313.0	315.0	-	3.6%	0.6%
Full-time employees on the surface	307.0	316.6	320.2	-	4.3%	1.1%
Total underground	3,216.0	3,218.0	3,223.0	-	0.2%	0.2%
LW Bogdanka S.A.	4,458.0	4,476.6	4,480.2	87.2%	0.5%	0.1%
RG Bogdanka sp. z o.o.	305.0	332.0	334.1	6.5%	9.5%	0.6%
MR Bogdanka sp. z o.o.	224.6	216.6	222.8	4.4%	-0.8%	2.9%
EkoTrans Bogdanka sp. z o.o.	2.0	2.0	2.0	-	-	-
Łęczyńska Energetyka sp. z o.o.	97.5	96.5	98.2	1.9%	0.7%	1.8%
LW Bogdanka Group	5,087.1	5,123.7	5,137.3	100.0%	1.0%	0.3%



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. In Q3 2017 r. a Team was established to adjust the Integrated Management System to changes in resulting from updating the ISO 9001 and ISO 14001 standards.

Ethics as a component of the organisational culture



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

The existing Code of Ethics, which was for the first time published in 2011, is modified and improved on an ongoing basis in response to the constant monitoring of the 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". Furthermore, an anti-mobbing training was

made available to all employees at an e-learning platform.

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 2017 a group of employees was subject to a test of understanding of ethical matters and the effectiveness of the Code of Ethics; furthermore, training materials regarding mobbing counteracting were made available to the employees.

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 is developing it gradually – in 2017 it focused its activities on intensifying educational projects as well as detailed inventory-taking of the fauna and flora along with gathering nature data of the Nadrybie reservoir. The infrastructure is under constant development and the path Guide is being updated.

Cooperation of the Group 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 three quarters of 2017, the costs of statutory activities amounted to PLN 144,000. Additionally, as part of the trilateral Memorandum of Understanding for the promotion of blood donation, the Foundation, jointly with LW BOGDANKA S.A. and the Regional Blood Centre in Lublin organised a blood donation session in Bogdanka and the whole Łęczna Poviát.

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 H1 2017 several hundred kilogrammes of plastic bottle caps were collected.



Rush project was completed; the project involves "getting rid" of small coins (1, 2, and 5 grosz) sitting in the wallets. Participation in the project was the initiative of the mine's Honorary Blood Donors Club. A record-breaking, in the scale of the whole province, amount of coins was collected, i.e. almost 500 kg. The funds will be used to finance holiday trips, after school clubs or for those in care of the Lublin Branch of the Polish Red Cross, etc.

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

In June 2017, the first edition of the Gold 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).

Sustainable development report of the LW BOGDANKA Group for 2016

In July 2017, the LW Bogdanka Group published another sustainable development report. The Integrated Report for 2016 combines both financial and non-financial results. The Report has been developed based on the GRI G4 guidelines, with the use of The International Integrated Reporting Framework.



3. Financial standing



Coal production and sales

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 Łęczyńska Energetyka), plus cash held, guarantee the financing on an on-going basis.

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

The LW Bogdanka Group pays its liabilities when due. The Group effectively manages its financial resources and, at the same time, deposits free funds with banks (for durations and in amounts determined on the basis of in-house financial forecasts). As at the date of drawing up the information, there are no premises indicating possible inability to settle contracted liabilities in future.

In 2017 the Parent has had two bond issue programmes. 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. (2nd Programme Agreement) Due to above, on 30 March 2017, the Company redeemed bonds worth PLN 300,000,000. It plans to redeem the remaining bonds (1st Programme Agreement) by the end of 2018 worth in total PLN 300,000,000.

Production, sale and inventories of coal

In Q3 2017, the production of commercial coal in the Parent decreased by 10.1% compared to the same period of 2016 and amounted to 2,154,000 tonnes. In the period from January to September 2017, the production of commercial coal was 6,712,000 tonnes, i.e. it was more by 0.4% than in the same period of 2016.

Production of commercial coal by the Parent.

['000 tonnes]	Q3 2016	Q3 2017	Change	Change %
Production of commercial coal	2,397	2,154	-243	-10.1%

['000 tonnes]	Q1-Q3 2016	Q1-Q3 2017	Change	Change %
Production of commercial coal	6,682	6,712	30	0.4%

Structure of commercial coal production by the Parent

[%]	Q3 2016	Q3 2017	Q1-Q3 2016	Q1-Q3 2017
Fine coal	98.1%	97.3%	98.7%	98.0%
Nut coal	1.1%	1.3%	0.7%	0.8%
Pea coal	0.8%	1.4%	0.6%	1.2%
Total	100.0%	100.0%	100.0%	100.0%

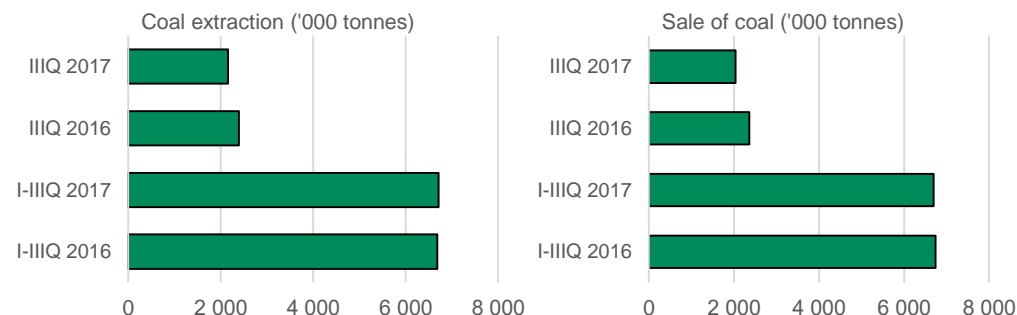
In analysed periods the structure of production did not change significantly – thermal fine coal remained the dominant assortment (its share in the production was in the range of approx. 97-99%).

Commercial coal sales at the Parent

['000 tonnes]	Q3 2016	Q3 2017	Change	Change %
Sale of commercial coal	2,360	2,036	-324	-13.7%

['000 tonnes]	Q1-Q3 2016	Q1-Q3 2017	Change	Change %
Sale of commercial coal	6,739	6,698	-41	-0.6%

In Q3 2017 the sales of coal dropped by 13.7% compared to Q3 2016. In the period between January and September 2017, the sales of commercial coal amounted to 6,698,000 tonnes, i.e. by 0.6% more than in the same period of 2016.



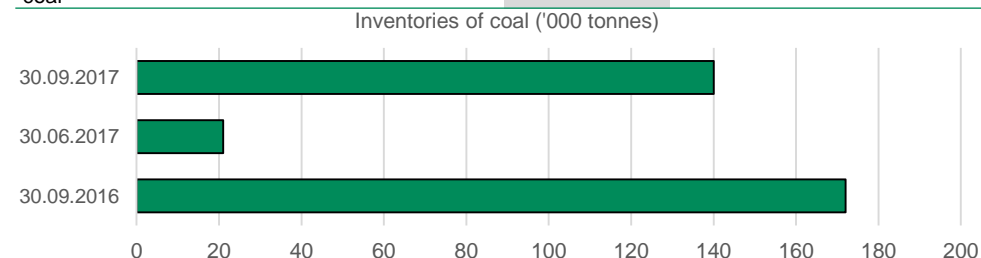


Inventories of coal, revenue and key customers

Inventories

As at the end of Q3 2017, the inventories of coal at the Parent amounted to 140,000 tonnes which means an increase by 119,000 compared to 30 June 2017. The level of coal inventories as presented for the end of Q3 2017 corresponds to approx. five days of commercial coal production (on the basis of an average 9-month daily production).

['000 tonnes]	30 Sep. 2016	30 Jun. 2017	30 Sep. 2017	Change [%] 30 Sep. 2017/ 30 Sep. 2016	Change [%] 30 Sep. 2017/ 30 Jun. 2017
Inventories of coal	172	21	140	-18.6%	566.7%



The information on coal market in Poland is presented in this Report on pages 12-14.

Revenue and key customers

In the third quarter of 2017, the LW BOGDANKA Group generated revenue of PLN 405,046,000, which means a decrease by 13.0% compared to Q3 2016. During three quarters the Group generated revenue of PLN 1,307,132,000, compared to PLN 1,314,387,000 in the same period of 2016.

The main source of revenue on sales of the LW Bogdanka Group both in Q3 and three quarters 2016 was the production and sale of thermal coal performed by the Parent. In each of the compared reporting periods, this activity generated more than 96% of the Group's revenue.

In the condensed consolidated financial statements published by the LW Bogdanka Group, for presentation purposes, data concerning revenue on coal sales and costs of products, goods and materials sold is adjusted (downwards) by the value of sold coal that was obtained by the Parent during drilling of excavations. Bearing in mind the above, the values indicated in the consolidated income statement for the period from 1 January to 30 September 2017 was adjusted by PLN 45,354,000, while in the same period of the previous year – by PLN 49,074,000.

Approx. 92% of coal sales (in terms of value) in the period from 1 January 2017 to 30 September 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., Azoty Group - Zakłady Azotowe Puławy S.A. and EDF Paliwa sp. z o.o. For the same period of 2016 the share of the above customers in coal sales stood at a level of approx. 96%.

[PLN '000]	Q3 2016	Q3 2017	Change	Change %	Q1-Q3 2016	Q1-Q3 2017	Change	Change %
Sale of coal	453,005	393,029	-59,976	-13.2%	1,272,657	1,268,023	-4,634	-0.4%
Other activities	9,615	8,491	-1,124	-11.7%	32,673	29,351	-3,322	-10.2%
Sale of goods and materials	2,822	3,526	704	24.9%	9,057	9,758	701	7.7%
Total revenue	465,442	405,046	-60,396	-13.0%	1,314,387	1,307,132	-7,255	-0.6%

In the period from 1 January 2017 to 30 September 2017, income on other operations (which includes the revenue of subsidiaries) amounted to PLN 29,351,000 compared to PLN 32,673,000 in the same period of the previous year. In Q3 2017 revenue on other operations were PLN 8,491,000 (2.1% of total revenue), compared to PLN 9,615,000 (2.1% of revenue) in the analogous period of 2016 (-11.7% y/y). A significant share in that group of revenue was held by:

- revenue of Łęczyńska Energetyka on sales of heat energy to external companies
- revenue from services of coal transport provided by the Parent for the benefit of some customers,
- 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 Q3 2017 slightly changed over Q3 2016, and was 0.9% (up by 0.3p.p. y/y). During the three quarters of 2017, the sale of goods and materials was recorded at a slightly higher level than that in the same period of 2016. The increase in revenue on sale of goods and materials primarily resulted from an increase in sales of scrap by the Parent.

[%]	Q3 2016	Q3 2017	Q1-Q3 2016	Q1-Q3 2017
Sale of coal	97.3%	97.0%	96.8%	97.0%
Other activities	2.1%	2.1%	2.5%	2.2%
Sale of goods and materials	0.6%	0.9%	0.7%	0.8%
Total revenue	100.0%	100.0%	100.0%	100.0%



Suppliers, costs in LW Bogdanka S.A.

Geographical structure of revenue

The activities of the Group are primarily concentrated in Poland. The share of exports in overall sales was insignificant both in Q3 2017 and Q3 2016. In the three quarters of 2017 the share of exports in the total revenue was 1.9% (PLN 24,981,000), while a year before the figure was 0.2% (PLN 2,910,000). In the analysed periods exports referred solely to the export of coal.

[PLN '000]	Q3 2016	Structure	Q3 2017	Structure	Q1-Q3 2016	Structure	Q1-Q3 2017	Structure
Domestic sales	463,521	99.6%	405,046	100.0%	1,311,477	99.8%	1,282,151	98.1%
Foreign sales	1,921	0.4%	0	0.0%	2,910	0.2%	24,981	1.9%
Total revenue	465,442	100.0%	405,046	100.0%	1,314,387	100.0%	1,307,132	100.0%

Suppliers

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

The principal suppliers for the LW Bogdanka Group include companies that provide services and offer products characteristic for mining industry (drilling and reconstructions of excavations, output dump, as well as supply of support systems for longwall galleries, specialist mining machines and equipment) and ones that provide electricity. Between 1 January 2017 and 30 September 2017, the value of the turnover with any supplier did not exceed 10% of the Group's total revenue.

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

Q3 2017

In Q3 2017, LW Bogdanka S.A. incurred costs by type in the amount of PLN 462,128,000 (PLN +36,516,000 y/y), i.e. by 8.6% higher than in Q3 2016. The increase in costs noted in Q3 2017 was largely influenced by higher consumption of materials and energy and outsourced services with a concurrent decrease in employee benefits as well as taxes and charges.

The value of amortisation and depreciation remained at the same level compared to Q3 2016. Total cost of materials and energy consumption went up by 35.6% (PLN +35,970,000) compared to Q3 2016, and totalled PLN 136,921,000. In the period under analysis, the value of costs of materials used has increased (including 40% more galleries made). The value of the purchased energy (understood as a sum of electric energy and heat energy, potable water, industrial water and gas) increased – in 2017, compared to 2016, a drop in electric energy consumption was recorded with an increase in water consumption (in Q3 2016 the sales of water for 2016 was recalculated in relation to a decrease in the price - underestimated basis effect).

Compared to Q3 2016, the value of outsourced services in Q3 2017 went up from PLN 97,708,000 to PLN 103,506,000 (+5.9%). In the period under analysis, the value of services related to drilling excavations has increased.

In Q3 2017, compared to Q3 2016, the value of employee benefits decreased by PLN 4,233,000. In Q3 2017 a slight increase was recorded in the average employment compared to analogous period of 2016, with a drop in the average monthly salary level.

The value of taxes, fees and charges went slightly down in Q3 2017 to PLN 9,974,000 from PLN 10,661,000 in Q3 2016 – the exploitation fee and payments to the National Disabled Persons Rehabilitation Fund decreased.

The value of other costs in Q3 2017 dropped from PLN 4,497,000 (in Q3 2016) to PLN 4,456,000 – the costs of advertising and sponsorship dropped (change in the pay-out schedule) with an increasing value of coal for the retirees (coal allowance paid).

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, cost of own production sold was obtained in the amount of PLN 360,385,000 for Q3 2017. As compared to the same period of the previous year, it is lower by 9.9% (with a year-to-year decrease by 13.7% in the amount of coal sold).





Costs in LW Bogdanka S.A.

Costs by type

[PLN '000]	Q3 2016	Q3 2017	Change	Q1-Q3 2016	Q1-Q3 2017	Change
Net production [in '000 tonnes]	2,397	2,154	-10.1%	6,682	6,712	0.4%
Sales [in '000 tonnes]	2,360	2,036	-13.7%	6,739	6,698	-0.6%
Amortisation/depreciation	87,420	87,388	0.0%	263,638	254,319	-3.5%
Materials and energy consumption	100,951	136,921	35.6%	311,972	354,113	13.5%
External services	97,708	103,506	5.9%	287,606	300,831	4.6%
Employee benefits	121,887	117,654	-3.5%	363,413	353,832	-2.6%
Entertainment and advertising costs	2,488	2,229	-10.4%	6,078	5,278	-13.2%
Taxes, fees and charges	10,661	9,974	-6.4%	28,628	29,226	2.1%
Other costs	4,497	4,456	-0.9%	13,901	5,843	-58.0%
Total costs by type	425,612	462,128	8.6%	1,275,236	1,303,442	2.2%
Cost of own work	-44,613	-87,337	95.8%	-140,641	-205,544	46.1%
Accruals and deferrals	29,187	16,757	-42.6%	59,990	55,079	-8.2%
Value of coal obtained from excavations	-11,945	-12,308	3.0%	-49,074	-45,354	-7.6%
Provisions and other presentation adjustments between costs by type and by function	4,090	-4,023	-	6,249	4,638	-25.8%
Total production cost	402,331	375,217	-6.7%	1,151,760	1,112,261	-3.4%
Change in inventory of products	-5,369	-18,312	241.1%	7,554	-1,596	-
Costs of goods and materials sold	2,805	3,480	24.1%	8,846	9,293	5.1%
Own cost of sales, including:	399,767	360,385	-9.9%	1,168,160	1,119,958	-4.1%
Costs of products, goods and materials sold	363,466	329,443	-9.4%	1,076,028	1,022,208	-5.0%
Selling costs	10,951	8,633	-21.2%	29,310	30,750	4.9%
Administrative expenses	25,350	22,309	-12.0%	62,822	67,000	6.7%

Three quarters of 2017

In the three quarters of 2017, LW Bogdanka S.A. incurred costs by type in the amount of PLN 1,303,442,000 (PLN +28,206,000 y/y), i.e. by 2.2% higher than in the same period of 2016. The increase in costs recorded in the analysed period of 2017 was influenced by higher costs of consumption of materials and energy, higher value of outsourced services as well as taxes and charges.

The value of depreciation and amortisation went down by 3.5% (to PLN 254,319,000) primarily due to a drop in natural depreciation (lower gross mining, higher share in the cutting machine walls).

Total cost of materials and energy consumption went up by 13.5% (PLN 42,141,000) compared to three quarters of 2016, and totalled PLN 354,113,000. In the period under analysis the value of materials used increased – a detailed analysis of materials groups indicates an increased use of components needed for the construction of the new underground infrastructure (during three quarters of 2017 22.5 km of galleries were constructed (along with extensions) compared to 18.4 km in the previous year which means an increase by 22.3%). The value of the purchased energy (understood as a sum of electric energy and heat energy, potable water, industrial water and gas) slightly increased – a drop in electric energy consumption was recorded with an increase in water consumption (in Q3 2016 the sales of water for 2016 was recalculated in relation to a decrease in the price - underestimated basis effect).

Compared to three quarters of 2016, the value of outsourced services in the same period of 2017 went up from PLN 287,606,000 to PLN 300,831,000 (+4.6%). In the period under analysis, the value of drilling and mining services (drilling of excavations) increased.

In 2017, compared to 2016, the value of employee benefits dropped by PLN 9,581,000. In the analysed period of 2017 an average employment dropped compared to the same period of 2016, and further in 2016 an annual bonus was paid to the employees (overestimated basis effect).

The value of taxes, fees and charges went up during three quarters of 2017 to PLN 29,226,000 from PLN 28,628,000 in three quarters of 2016 – the value of payments to the National Disabled Persons Rehabilitation Fund and the real property tax, was higher.

The value of other costs decreased from PLN 13,901,000 (three quarters of 2016) to 5,843,000 (three quarters of 2017). As in Q1 2016 insurance policies expired and the tender procedure for a new policy has not been completed (a new contract has not been awarded), in 2016 the Parent concluded short-term policies for a joint term of 9 months (effective until November 2016). In November 2016 a new property policy and third-party liability has been concluded for 18 months (effective until May 2018). Given the above, the costs of the insurance policy for 2017 are recognised in prime costs in Q4 2016 (as in previous periods the policy is settled through accruals and deferrals).

The result of an adjustment of costs by type by change in inventory of products and accruals and deferrals, the value of activities for the Company's own needs and the costs of goods and materials sold, will give own cost of production sold for the three quarters of 2017 amounting to PLN 1,119,958,000. As compared to the same period of the previous year, it is lower by 4.1% (with a year-to-year decrease by 0.6% in the amount of coal sold).

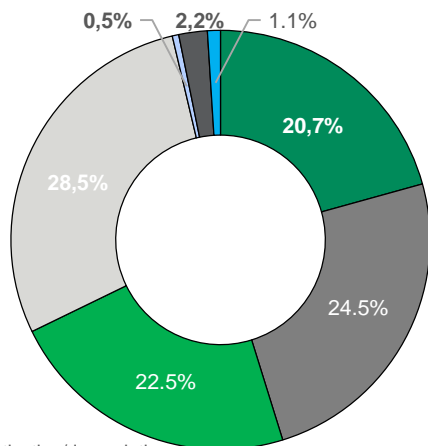


Costs in LW Bogdanka S.A.

During three quarters of 2017 (compared to the same period of the previous year) in the structure of costs by type the share of materials and energy consumption went up (to 27.2%) and so did the share of outsourced services (to 23.1%), while the share of employee benefits and amortisation/depreciation dropped (to 27.1% and 19.5%, respectively). Costs of employee benefits, outsourced services and materials and energy used accounted for almost 77% of costs between 1 January 2017 and 30 September 2017, while in the comparable period of 2016 it was almost 76% of total costs of the Company.

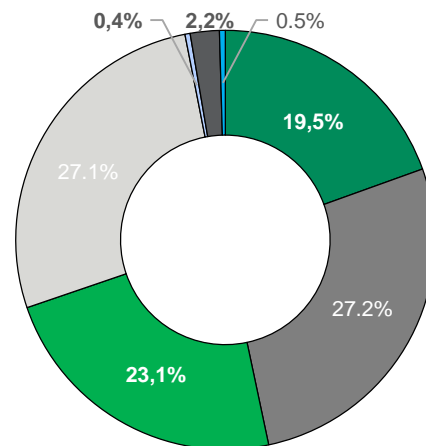
In three quarters 2017 (compared to the same period of the previous year), similarly as in Q3 alone, the share of materials and energy consumption went up, while the share of employee benefits and amortisation/depreciation dropped.

Structure of costs by type Q1-Q3 2016



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

Structure of costs by type Q1-Q3 2017



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

Costs by function

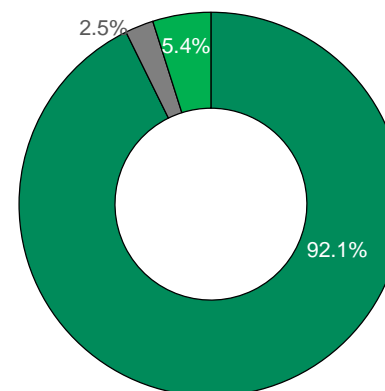
Own cost of production sold (by function) in Q3 2017 was PLN 360,385,000 and was lower by 9.9% (PLN 399,767,000) than the cost incurred in Q3 2016 - the drop y/y is mainly a result of lower production costs of LW Bogdanka S.A. and the fact that in 2017 production worth PLN 18,312,000 was allocated to inventories (comparing to PLN 5,369,000 in 2016).

Own cost of production sold (by function) during three quarters 2017 was PLN 1,119,958,000 and was lower by 4.1% (PLN 48,202,000) than the cost incurred in the same period of 2016 - the drop y/y is mainly a result of lower production costs of LW Bogdanka S.A. (by PLN 39,499,000) and the fact that in 2017 production worth PLN 1,596,000 was allocated to inventories, while in 2016 inventories were supplemented by production worth PLN 7,554,000.

Costs by function

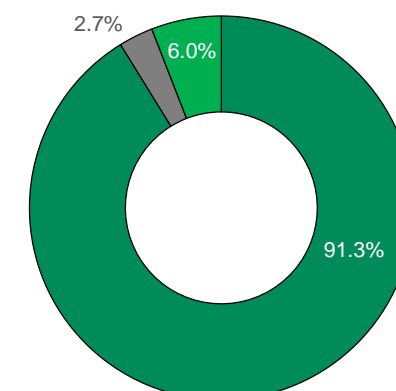
[PLN '000]	Q3 2016	Q3 2017	Change	Q1-Q3 2016	Q1-Q3 2017	Change
Net production [in '000 tonnes]	2,397	2,154	-10.1%	6,682	6,712	0.4%
Sales [in '000 tonnes]	2,360	2,036	-13.7%	6,739	6,698	-0.6%
Costs of products, goods and materials sold	363,466	329,443	-9.4%	1,076,028	1,022,208	-5.0%
Selling costs	10,951	8,633	-21.2%	29,310	30,750	4.9%
Administrative expenses	25,350	22,309	-12.0%	62,822	67,000	6.7%
Own cost of sales	399,767	360,385	-9.9%	1,168,160	1,119,958	-4.1%

Structure of costs by function Q1-Q3 2016



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

Structure of costs by function Q1-Q3 2017



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



Provisions

Provisions at the LW Bogdanka Group

Balance-sheet provisions

[PLN '000]	As at 30 Sep. 2016	As at 31 Dec. 2016	As at 30 Sep. 2017	Change in Q3 2017 / Q4 2016	Change in Q3 2017 / Q3 2016
Employee benefits	258,667	266,981	298,560	11.8%	15.4%
Provision for real property tax	30,264	32,456	39,939	23.1%	32.0%
Provision for the mine closure costs and land reclamation	124,221	117,423	117,036	-0.3%	-5.8%
Mining damage	7,803	4,440	3,612	-18.6%	-53.7%
Provision for Social Insurance Institution (ZUS) claim for accident contributions	19,712	20,042	21,015	4.9%	6.6%
Other	12,377	13,914	13,214	-5.0%	6.8%
TOTAL	453,044	455,256	493,376	8.4%	8.9%

The total provisions as at 30 September 2017 amounted to PLN 493,376,000, which means an increase by 8.9% compared to the value as at 30 September 2016.

Comparing to 30 September 2016, employee provisions grew by 15.4% and amounted to PLN 298,560,000 as at 30 September 2017. As a consequence of actuarial revaluation of provisions, mainly the value of provision for coal allowance has increased; in addition, a provision of PLN 10,000,000 was created for the Voluntary Redundancy Programme.

[PLN '000]	Change in Q3 2016	Change in Q3 2017	Change in Q3 2017 / Q3 2016	Change in Q1-Q3 2016	Change in Q1-Q3 2017	Change in Q1-Q3 2017 / Q1-Q3 2016
Employee benefits	-2,100	-5,682	170.6%	7,130	31,579	342.9%
Provision for real property tax	2,164	2,379	9.9%	6,383	7,483	17.2%
Provision for the mine closure costs and land reclamation	836	-384	-	-5,958	-387	-93.5%
Mining damage	-342	-629	83.9%	-694	-828	19.3%
Provision for Social Insurance Institution (ZUS) claim for accident contributions	329	330	0.3%	985	973	-1.2%
Other	147	478	225.2%	-17,530	-700	-96.0%
TOTAL	1,034	-3,508	-	-9,684	38,120	-

[PLN '000]	Change of provision s in Q3 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 in the balance- sheet — use of e income	Change disclosed only in the balance- sheet — use of the provision
Employee benefits	-5,682	7,633	2,122	-	-	-15,437
Provision for real property tax	2,379	1,507	872	-	-	-
Provision for the mine closure costs and land reclamation	-384	408	882	-1,674	-	-
Mining damage	-629	-	-	-	-	-629
Provision for Social Insurance Institution (ZUS) claim for accident contributions	330	-	330	-	-	-

[PLN '000]	Change of provision s in Q1-Q3 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 in the balance- sheet — use of e income	Change disclosed only in the balance- sheet — use of the provision
Employee benefits	31,579	28,263	5,603	-	33,476	-35,763
Provision for real property tax	7,483	4,954	2,529	-	-	-
Provision for the mine closure costs and land reclamation	-387	1,271	2,645	-4,303	-	-
Mining damage	-828	-	-	-	-	-828
Provision for Social Insurance Institution (ZUS) claim for accident contributions	973	-	973	-	-	-
Other	-700	1,275	224	-	-	-2,199
TOTAL	38,120	35,763	11,974	-4,303	33,476	-38,790

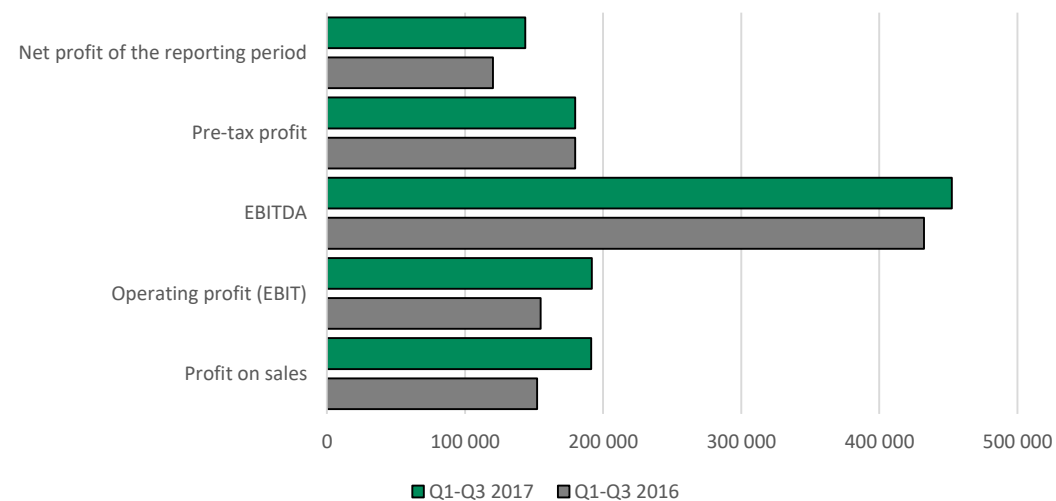
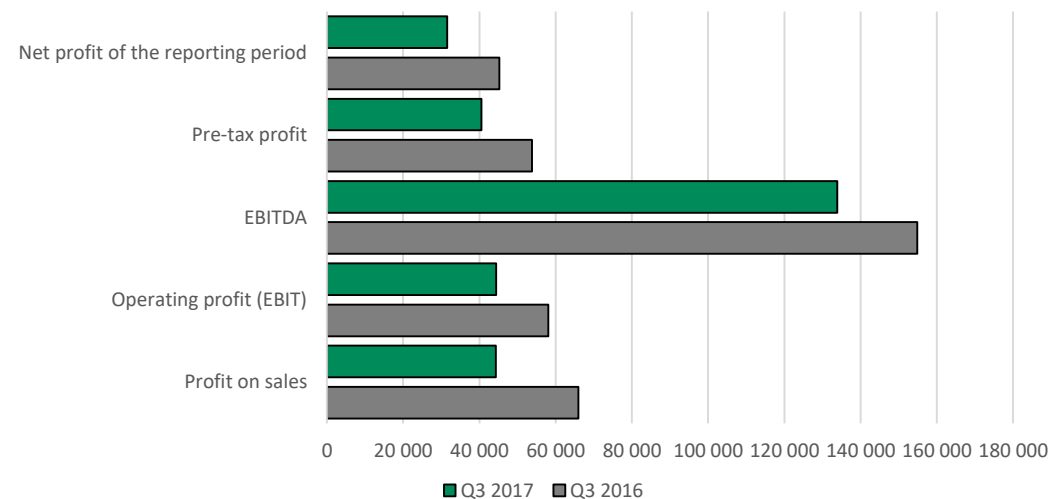
Financial highlights

Financial highlights of the LW Bogdanka Group

Analysis of the consolidated income statement

[PLN '000]	Q3 2016	Q3 2017	Change	Q1-Q3 2016	Q1-Q3 2017	Change
Revenue	465,442	405,046	-13.0%	1,314,387	1,307,132	-0.6%
Costs of products, goods and materials sold, selling and administrative expenses	399,500	360,711	-9.7%	1,162,107	1,115,710	-4.0%
Profit on sales	65,942	44,335	-32.8%	152,280	191,422	25.7%
Gross sales margin	14.2%	10.9%	-3.3 p.p.	11.6%	14.6%	3.0 p.p.
Other income	274	384	40.1%	13,012	2,143	-83.5%
Other costs	398	351	-11.8%	1,806	560	-69.0%
Net operating profit	65,818	44,368	-32.6%	163,486	193,005	18.1%
Other net profits/(losses)	-7,746	44	-	-8,849	-1,119	-87.4%
Operating profit (EBIT)	58,072	44,412	-23.5%	154,637	191,886	24.1%
EBIT margin	12.5%	11.0%	-1.5 p.p.	11.80%	14.7%	2.9 p.p.
EBITDA	154,900	133,904	-13.6%	432,279	452,539	4.7%
EBITDA margin	33.3%	33.1%	-0.2 p.p.	32.9%	34.6%	1.7 p.p.
Finance income	1,873	1,574	-16.0%	12,143	5,647	-53.5%
Finance costs	6,178	5,462	-11.6%	20,888	17,716	-15.2%
Profit before taxation	53,767	40,524	-24.6%	145,892	179,817	23.3%
Pre-tax profit margin	11.6%	10.0%	-1.6 p.p.	11.1%	13.8%	2.7 p.p.
Income tax	8,562	8,993	5.0%	25,733	36,162	40.5%
Net profit for the financial year	45,205	31,531	-30.2%	120,159	143,655	19.6%
Net sales margin	9.7%	7.8%	-1.9 p.p.	9.1%	11.0%	1.9 p.p.

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





Financial highlights

Revenue

The value of revenue for Q3 2017 went down by 13.0% compared to the same period of the previous year and amounted to PLN 405,046,000.

In the period between January and September 2017 the Group generated revenue in the amount of PLN 1,307,132,000 as compared to PLN 1,314,387,000 in the same period of 2016.

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

In Q3 2017 the costs of products, goods and material sold plus selling and administrative costs went down by 9.7% compared by the same period of the previous year and amounted to PLN 360,711,000.

During the three quarters of 2017, the costs in question went down by 4.0% y/y.

Profit on sales

In Q3 2017, profit on sales decreased by 32.8% compared to Q3 2016. In the period under analysis, the Group generated profit in the amount of PLN 44,335,000. Profit on sales in the three quarters of 2017 in the amount of PLN 191,422,000 was higher than the profit achieved in the three quarters of 2016 by 25.7%.

Other income

In Q3 2017 other income amounted to PLN 384,000 compared to PLN 274,000 a year before. During three quarters of 2017, this item decreased by PLN 10,869,000 (drop by 83.5% y/y). The decrease is a result of a release (in 2016) of the provision for damages for Budimex following a ruling issued by the Court of Appeals, which was advantageous for the Parent (overestimated basis effect).

Other costs and other net profits/losses

In Q3 2017 other operating cost amounted to PLN 351,000 compared to PLN 398,000 of the same period of 2016. In the period of January – September 2017 other net profit was PLN 44,000 comparing to other net loss of PLN 7,746,000 in the same period of the previous year – in 2016 impairment loss for property, plant and equipment was made (PLN -7,352,000), and higher negative FX differences were disclosed.

EBIT

The operating profit in Q3 2017 amounted to PLN 44,412,000 and was lower by 23.5% compared to Q3 2016. EBIT margin in Q3 2017 was 11.0%, i.e. it was lower by 1.5 p.p. than in the third quarter of the previous year. EBIT margin for three quarters of 2017 was higher by 2.9 p.p. compared to the same period of 2016, and accounted for 14.7%.

EBITDA

EBITDA in Q3 2017 went down by 13.6% compared to Q3 2016 and amounted to PLN 133,904,000. EBITDA margin in Q3 2017 equalled 33.1%, which shows a slight decrease compared to the same period of 2016.

In the period January – September 2017, EBITDA amounted to PLN 452,539,000, and the Group achieved an EBITDA margin of 34.6%, i.e. 1.7 p.p. more y/y than in the analogous period of 2016 (while the EBITDA figure increased in the analysed period by 4.7%).

Finance income

Finance income in Q3 2017 amounted to PLN 1,574,000. With respect to Q3 2016 a decrease of 16.0% was recorded. The decrease is primarily attributable to lower interest income on bank deposits in relation to a lower average level of cash available in the LW Bogdanka Group (on 30 March 2017 LW Bogdanka S.A. redeemed bonds worth PLN 300,000,000).

Finance income for three quarters of 2017 amounted to PLN 5,647,000 and was lower than finance income in the same period of the previous year by PLN 6,496,000 – in 2016 provision for interest on Budimex claims was released (PLN 6,465,000).

Finance costs

In Q3 2017 finance costs amounted to PLN 5,642,000 and were lower by 11.6% than the costs in the same period of 2016. The above was a result of lower interest costs on bonds, which was related to the redemption of bonds, effected on 30 March 2017. The finance cost for three quarters of 2017 amounted to PLN 17,716,000 compared to PLN 20,888,000 in 2016 (decrease by 15.2%).

Total debt of the Group amounted to PLN 322,886,000, including that of the Parent of PLN 301,911,000 as at 30 September 2017.

Profit before taxation

In Q3 2017 the LW Bogdanka Group generated pre-tax profit of PLN 40,524,000 compared to the generated profit of PLN 53,767,000 in Q3 2016 (-24.6%). Profit before taxation for three quarters of 2017 amounted to PLN 179,817,000 against PLN 145,892,000 in the same period of 2016.

Net profit for the financial year

In Q3 2017 the Group generated net profit lower by 30.2% than in Q3 2016 – it amounted to PLN 31,531,000 in 2017 compared to PLN 45,205,000 in 2016. The net profit for three quarters of 2017 was PLN 143,655,000 compared to PLN 120,159,000 (up by 19.6%).

In Q3 2017, net profit attributable to the shareholders of the Parent amounted to PLN 31,594,000 compared to PLN 45,330,000 in the same period of the previous year.



Balance sheet

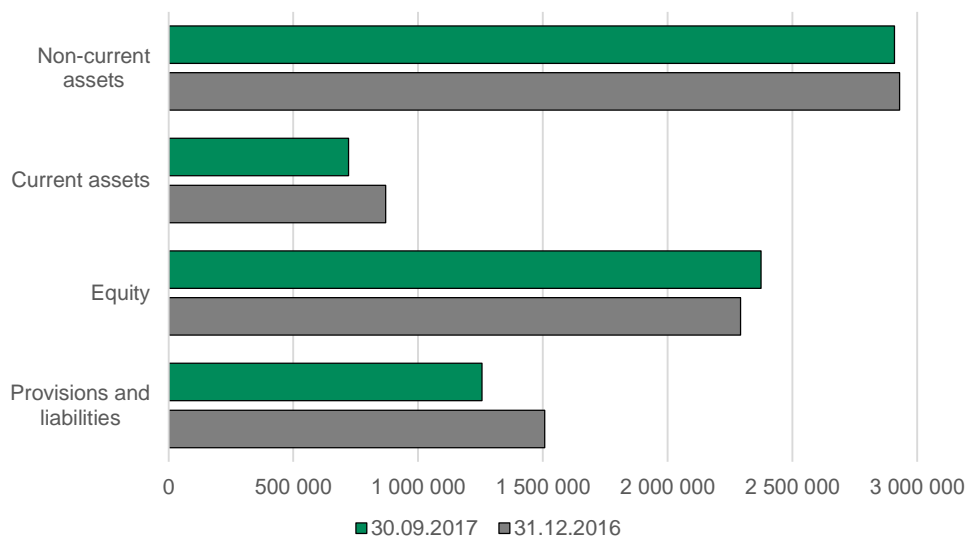
Balance sheet

Selected financial data

[PLN '000]	31 Dec. 2016	30 Sep. 2017	Change
Total assets	3,800,289	3,630,443	-4.5%
Return on Assets (ROA)*	4.9%	5.5%	0.6 p.p.
Non-current assets	2,929,788	2,909,210	-0.7%
Current assets	870,501	721,233	-17.1%
Equity	2,292,407	2,374,476	3.6%
Return on Equity (ROE)*	8.2%	8.8%	0.6 p.p.
Provisions and liabilities	1,507,882	1,255,967	-16.7%

* the calculations include net result for the last four quarters and an average level of assets and equity (as at 30 September 2017 + as at 31 December 2016)/2

Analysis of the quarterly consolidated statement of financial position



Assets

The balance-sheet total as at 30 September 2017 went down to PLN 3,630,443,000 (i.e. by PLN 169,846,000) compared to the value as at 31 December 2016, with non-current assets going down by PLN 20,578,000 and current assets – by PLN 149,268,000. Within current assets, the value of inventories went up by 13.8%, trade and other receivables went up by 43.8%, with cash and cash equivalents going down by 46.9%.

As at 30 September 2017 ROA increased by 0.6 p.p. comparing to the level recorded on 31 December 2016 and was 5.5% (net result of the LW Bogdanka Group for last four quarters, i.e. the period from 1 October 2016 to 30 September 2017, was included in the calculations as at 30 September 2017).



Equity and liabilities

The equity went up by 3.6%. It was a result of adding net comprehensive income for nine months of 2017 to equity, and settling the profit/loss for 2016 (PLN 34,014,000 designated for dividend, and PLN 141,882,000 for capitals).

Provisions and liabilities went down by 16.7% compared to the value as at 31 December 2016, with current liabilities going down by 11.4% (the drop in current liabilities is mainly due to the repayment bonds worth PLN 300,000,000, however this effect was slightly set off by a reclassification of bonds worth PLN 225,000,000 to current liabilities from the group of non-current liabilities).

At 30 September 2017 an increase in ROE was recorded (by 0.6 p.p.) compared to the end of 2016. The value of the ratio as at 30 September 2017 was 8.8% compared to 8.2% as at 31 December 2016.



Cash flow

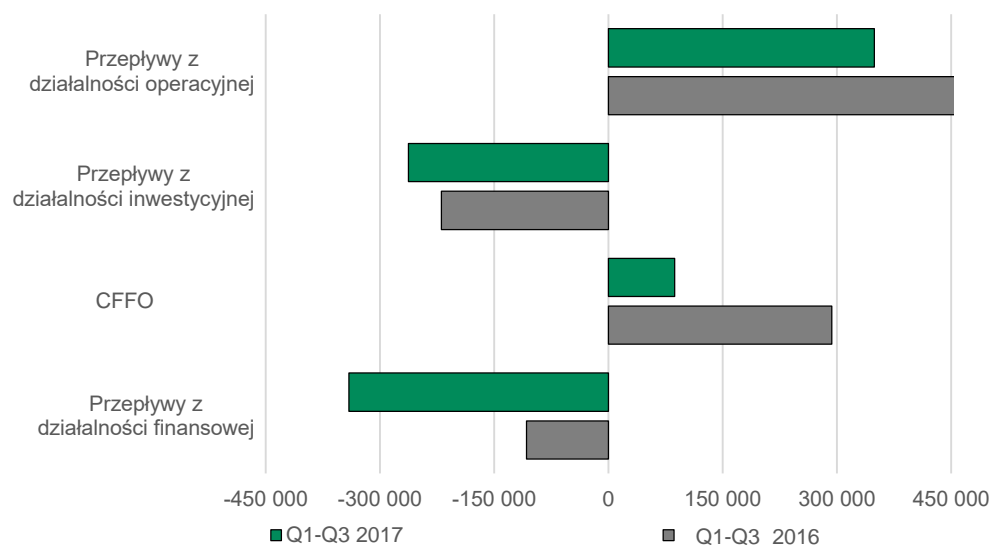
Cash flow

Consolidated cash flow

[PLN '000]	Q3 2016	Q3 2017	Change	Q1-Q3 2016	Q1-Q3 2017	Change
Cash flow from (used in) operating activities	194,650	150,885	-22.5%	512,535	349,351	-31.8%
Cash flow from (used in) investing activities	-77,936	-103,590	32.9%	-219,291	-262,463	19.7%
CCFO*	116,714	47,295	-59.5%	293,244	86,888	-70.4%
Cash flow from (used in) financing activities	-3,800	-35,448	832.8%	-107,538	-340,878	217.0%

*total cash flow from operating and investing activity

Analysis of the consolidated statement of cash flows



In Q3 2017 the Group generated net cash flow from operating activities lower by 22.5% than in Q3 2016 (in the period from July to September 2017 it amounted to PLN 150,885,000 compared to PLN 194,650,000 a year before). During the three quarters, the Group generated cash flow from operating activities of PLN 349,351,000 (-31.8% y/y).

Cash flow from investing activities increased (in absolute terms) in Q3 2017 by 32.9% (to PLN 103,590,000) compared to the same period of 2016. During three quarters of 2017, cash flow from investing activities were higher by 19.7% in comparison to the cash flow in the same period of the previous year, and amounted to PLN 262,463,000.

In the period July – September 2017, the Group recorded negative cash flow from financing activities of PLN 35,448,000 (dividend of PLN 34,470,000 was paid, loans and borrowings worth PLN 759,000 were repaid, and interest of PLN 219,000 was paid). In the period 1 January - 30 June 2017, the Group recorded negative cash flow from financing activities of PLN 340,878,000 (bonds worth PLN 300,000,000 were redeemed, dividend of PLN 34,470,000 was paid, interest of PLN 4,131,000 was paid, and loans and borrowings worth PLN 2,277,000 were repaid).





Debt and liquidity ratios

Debt and financing structure

[PLN '000]	31 Dec. 2016	30 Sep. 2017	Change
Overall debt ratio	39.7%	34.6%	-5.1 p.p.
Ratio (debt plus employee liabilities)/EBITDA	1.47	0.99	-32.7%
Net debt ratio/EBITDA*	0.14	0.06	-57.1%
Debt to equity ratio	65.8%	52.9%	-12.9 p.p.
Fixed capital to non-current assets ratio	100.2%	98.0%	-2.2 p.p.
Current debt ratio	19.7%	18.2%	-1.5 p.p.
Non-current debt ratio	20.0%	16.3%	-3.7 p.p.

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

Overall debt ratio

The overall debt ratio as at 30 September 2017 went down by 5.1 p.p. compared to 31 December 2016 and reached 34.6% - the share of borrowed capital in the overall financing sources of the Group decreased (in March 2017 bonds worth PLN 300,000,000 were redeemed).

The level of the Group's debts as at 30 September 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 Q3 2017 dropped by 32.7% to 0.99. When comparing data as at 30 September 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 PLN 20,260,000 (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 0.14 as at 31 December 2016 to 0.06 as at 30 September 2017. The value of net debt dropped by ca. PLN 46,000,000 to a level of PLN 35,770,000, while EBITDA increased by PLN 20,260,000 (EBITDA cumulatively for the last four quarters) to a level of PLN 626,799,000.

Debt to equity ratio

Debt to equity ratio as at 30 September 2017 decreased in relation to 31 December 2016 by 12.9 p.p. and was 52.9% - liabilities dropped by PLN 251,915,000 along with an increase in equity by PLN 82,069,000.

Fixed capital to non-current assets ratio

The fixed capital to non-current assets ratio was 98.0% (as at 30 September 2017) compared to 100.2% (as at 31 December 2016) – in the analysed period the value of non-current assets dropped by PLN 20,578,000; fixed capitals (equity plus non-current liabilities less provisions) decreased by PLN 84,123,000.



Liquidity ratios

	31 Dec. 2016	30 Sep. 2017	Change
Current liquidity ratio	1.29	1.23	-4.7%
Quick liquidity ratio	1.18	1.09	-7.6%

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	30 Sep. 2017	Change
1. Inventory turnover	<u>Average inventories</u> costs of goods, products and materials sold	22	20	-9.1%
2. Debtors collection rate*	<u>Average debtors</u> revenue	50	62	24.0%
3. Creditors payment rate**	<u>Average creditors</u> costs of goods, products and materials sold	75	85	13.3%
4. Operating cycle	1+2	72	82	13.9%
5. Cash conversion cycle	4-3	-3	-3	-

* Trade and other receivables

** Trade and other liabilities

Inventory turnover ratio

The inventory turnover ratio as at 30 September 2017 dropped to 20 days, compared 31 December 2016. Disposal of inventories takes on average 2 days less.

Debtors collection ratio

The debtors collection rate (calculated on the basis of the balance-sheet item "Trade and other receivables") was 62 days (as at 30 September 2017), compared to 50 days (as at 31 December 2016). The increase in the ratio's value is attributable to a higher average level of receivables with a relatively lower 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 10 days to 85 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 lengthened to 82 days. On average after 82 days, the Group's current assets are converted into cash.

Cash conversion cycle

The consequence of the above trends, the cash conversion cycle as at 30 September 2017 was -3 days (the same as as at 31 December 2016). The negative value of the cash conversion cycle means that the Group trade credit (financing with the non-interest-bearing borrowed capital).

Information on LW Bogdanka Group companies subject to consolidation

The Subsidiaries: Łęczyńska Energetyka sp. z o.o., EkoTRANS Bogdanka sp. z o.o., RG Bogdanka sp. z o.o. and MR Bogdanka sp. z o.o. were included in the Consolidated Quarterly Report of the LW Bogdanka Group for three quarters of 2017 with the full consolidation method.

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

During three quarters of 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 September 2017 amounted to PLN 399,755,000, out of which the funds of PLN 375,252,000 belonged to the Parent.

The amount of PLN 399,755,000 is disclosed as follows:

- PLN 112,639,000 disclosed in non-current assets,
- PLN 287,116,000 is disclosed in current assets.

The amount of PLN 112,639,000 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 287,116,000 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 262,613,000, while the funds accumulated at subsidiaries amount to PLN 24,503,000 (primarily to Łęczyńska Energetyka).



Information on financial instruments, bonds

Information on derivative financial instruments

As at 30 September 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 30 September 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

Use of proceeds from bond issue

In accordance with the Programme Agreement relating to bond issue, the objective of the Issue means refinancing of the existing debt, financing the current operations and investment needs of the Issuer (but it does not constitute the objective of the issue 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 10 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 Q3 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 page 4 of the Consolidated Quarterly Report of the LW BOGDANKA Group for the nine months ended on 30 September 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 Q3 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

Agreements concerning the subsidiaries' loans and borrowings

During three quarters of 2017 the Parent had one active loan agreement.

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

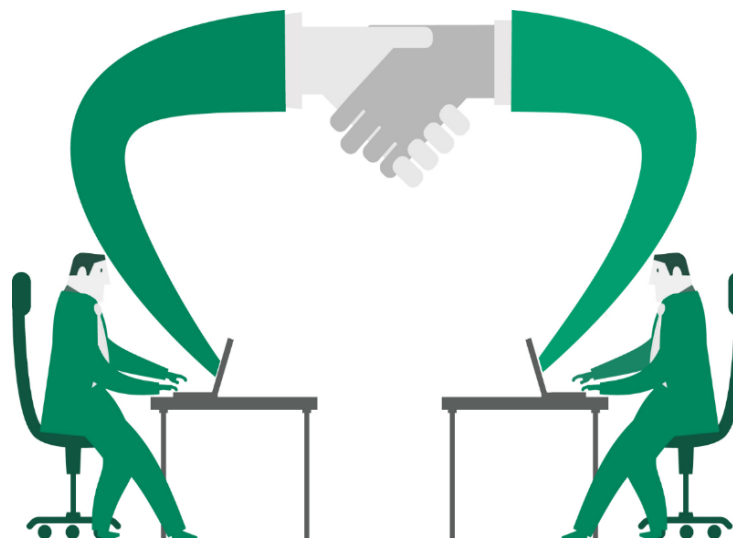
Information on LW Bogdanka S.A. or its subsidiary granting sureties for a credit facility or loan or granting guarantees

In the period from 1 January 2017 to 30 September 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

During the three quarters of 2017, neither the Parent nor its Subsidiaries concluded any transactions with related entities which were individually or jointly significant and concluded on terms other than on an arm's length basis. Information about 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>.

Guarantees received by the LW Bogdanka Group



Loan and borrowing agreements signed by Subsidiaries

Łęczyńska Energetyka Sp. z o.o. continues the repayment of the loan granted 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, completed in February 2016. The loan bears interest of 0.7 of the rediscount rate set by the Monetary Policy Council, not less than 4.0% 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 30 September 2017 Łęczyńska Energetyka sp. z o.o. did not use any third-party financing for its operations.

During three quarters of 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.

Security receipt date	Security expiry date	Security provider	Agreement objective	Form of security	Amount of security
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

During three quarters of 2017 LW Bogdanka S.A. and the 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

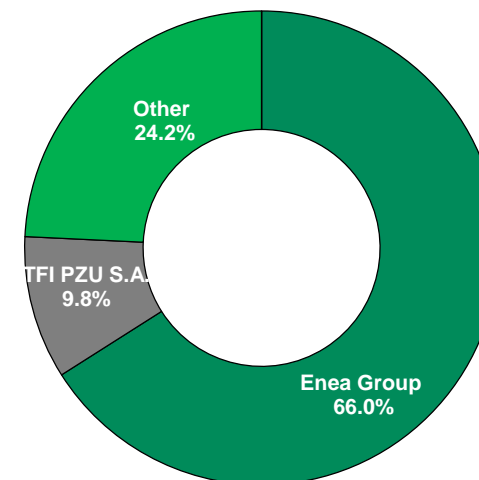
According to the information of the Parent, the Issuer's shareholding structure has not changed since the publication of the Interim Consolidated Directors' Report for the Operations of the LW Bogdanka Group for Q1 2017.

Shareholding structure

The table below shows a shareholding structure of the Parent as at 7 September 2017 and as the date of publishing this Report, i.e. 23 November 2017.

Shareholder	Number of shares/ number of votes at the Shareholders Meeting	Share capital interest/ interest in the total number of votes
Shareholding of LW Bogdanka S.A. as at 7 September 2017 and 23 November 2017		
Enea Group	22,448,834	66.0%
TFI PZU S.A.	3,320,620	9.8%
Other	8,244,136	24.2%
TOTAL	34,013,590	100.0%

Shareholding of LW Bogdanka S.A. as at 23 November 2017



Participation of the LW Bogdanka's shares in indices

The Parent was first listed on the Warsaw Stock exchange on 25 June 2009. During three quarters of 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;
- 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.

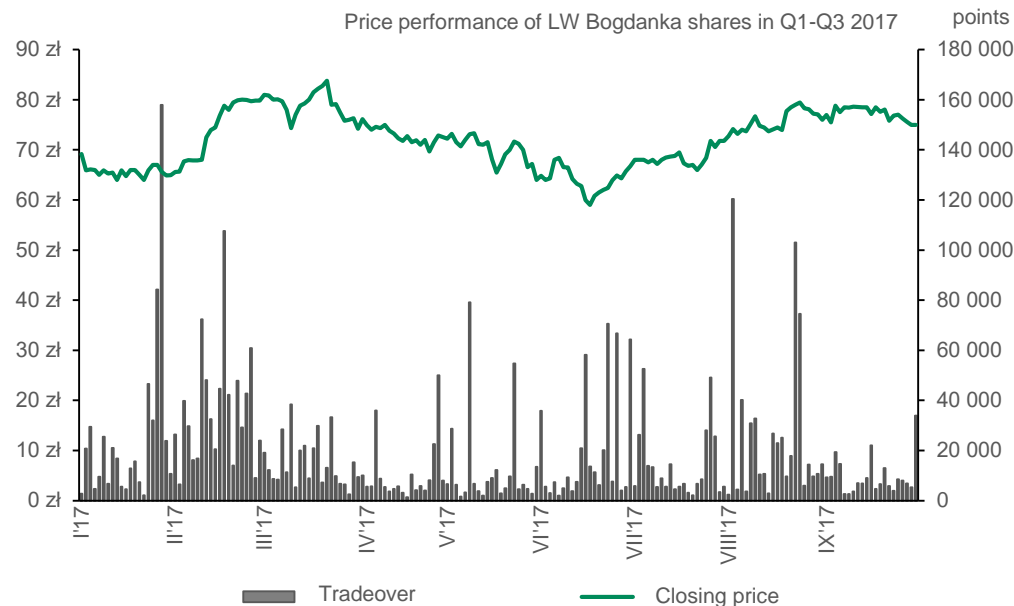
Analysts' recommendations and price performance of the shares

Participation of the Parent's shares in indices as at 23 November 2017



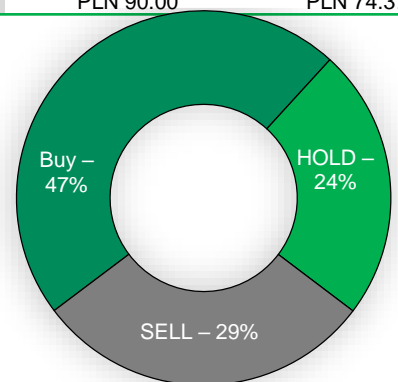
Analysts' recommendations issued for LW Bogdanka S.A. in 2017

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 IB	Hold	PLN 81.80	PLN 74.90
7 April	Societe Generale	Sell	PLN 64.00	PLN 74.60
20 April	BOŚ DM	Buy	PLN 82.00	PLN 71.92
26 April	DM Trigon	Sell	PLN 65.00	PLN 72.75
25 May	PEKAO IB	Hold	PLN 41.70	PLN 81.80
17 July	BOŚ DM	Buy	PLN 80.00	PLN 69.50
4 August	Erste Securities DI	Buy	PLN 86.90	PLN 73.20
12 September	Societe Generale	Sell	PLN 71.00	PLN 78.50
13 September	PKO BP	Hold	PLN 80.00	PLN 78.57
14 September	BDM DM	Buy	PLN 99.20	PLN 78.50
21 September	Vestor DM	Buy	PLN 95.00	PLN 78.06
13 October	BZ WBK	Sell	PLN 51.00	PLN 75.60
15 October	BOŚ DM	Buy	PLN 90.00	PLN 74.37



Key share indicators:	Q1-Q3 2016	Q1-Q3 2017
Maximum price [PLN]	60.90	83.80
Minimum price [PLN]	30.39	59.00
Last price [PLN]	56.86	75.00
Average price [PLN]	42.62	71.96
Capitalisation at end of period [PLN million]	1,934.02	2,551.02
Book value [PLN million]	2,229.06	2,374.48
Price/earnings ratio	16.10	17.76
Price/book value	0.87	1.07
Average volume per session [pcs]	46,199	19,167
Average spread [bp]	34,013,590	34,013,590

In 2017 over 70% of analysts recommended "BUY" or "HOLD" shares of LW Bogdanka S.A.



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		Number of the Company's shares as at		Number of shares in Subsidiaries
	23 November 2017	Nominal value of the shares (PLN)	7 September 2017	Nominal value of the shares (PLN)	
Krzysztof Szlaga	0	0	0	0	0
Marcin Kapkowski	0	0	0	0	0
Sławomir Karlikowski	0	0	0	0	0
Stanisław Misterek	247	1,235	247	1,235	0
Adam Partyka	253	1,265	253	1,265	0
SUPERVISORY BOARD					
Name and surname	Number of the Company's shares as at		Number of the Company's shares as at		Number of shares in Subsidiaries
	23 November 2017	Nominal value of the shares (PLN)	7 September 2017	Nominal value of the shares (PLN)	
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
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		Number of the Company's shares as at		Number of shares in Subsidiaries
	23 November 2017	Nominal value of the shares (PLN)	7 September 2017	Nominal value of the shares (PLN)	
	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



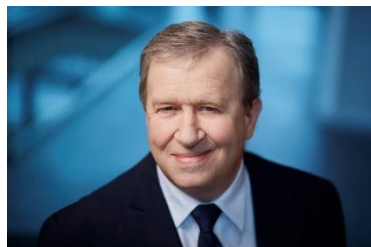
Composition of the Management Board of the Parent



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 Commercial Clients Department. In 2004 he joined Ernst & Young Audit Spółka z o.o. as Audit Senior at the Assurance and Business Services Department. In 2005-2008 he worked as Project Manager at the Restructuring/Operational Excellence and Corporate Finance at Roland Berger Strategy Consultants Spółka z o.o. In 2008-2010 he held the position of the Member of the Management Board, Supply Chain Management Director at CTL Logistics S.A. In 2010-2012 he was a Supply Chain Management Director at Ruch S.A. He has been related to LW Bogdanka since 2013. Recently, he held the position of the Vice-President of the Management Board, Procurement and Investments. On 1 April 2016, he became the President of the Management Board of LW Bogdanka S.A. Mr Krzysztof Szlaga has 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

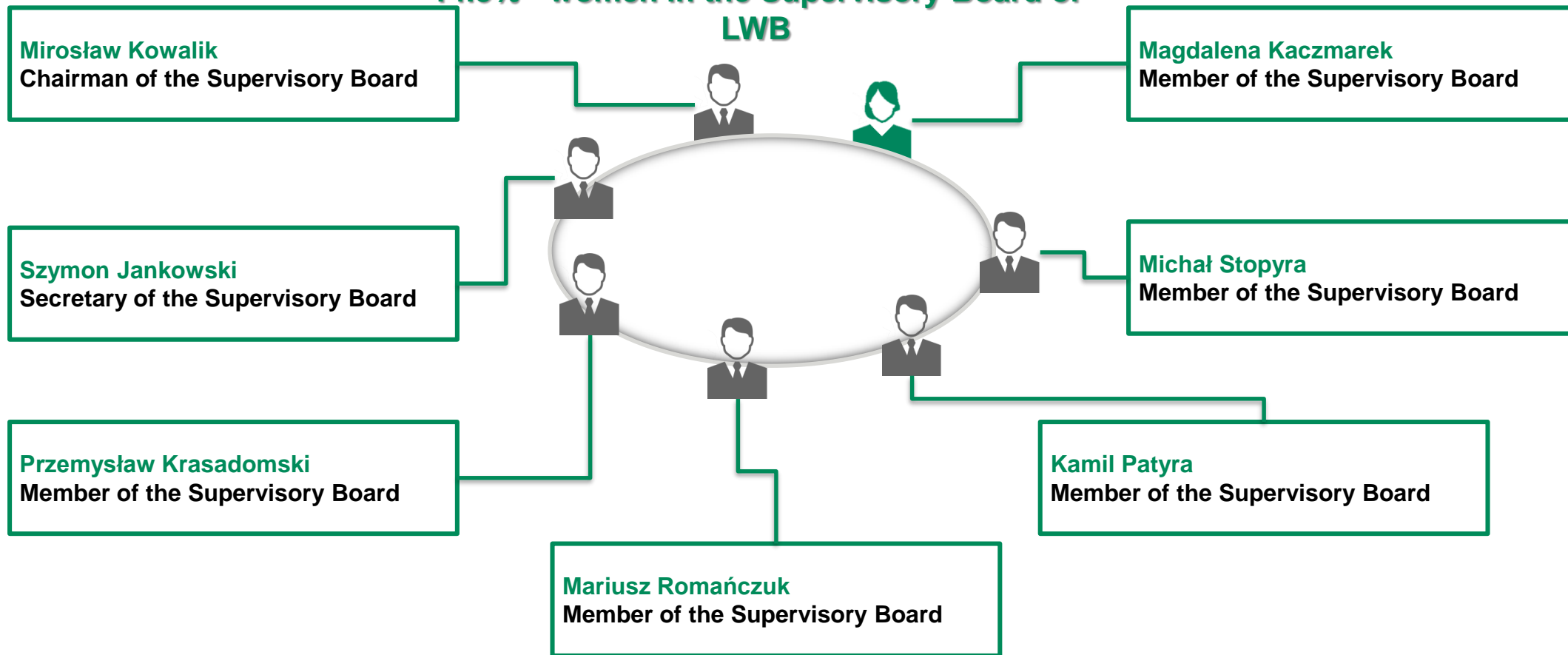
Mr Marcin Kapkowski is an automation engineer by trade. In 2001 he graduated from the Faculty of Electrical Engineering at the Technical University of Częstochowa. In the last 15 years, he has attended and completed numerous courses and business trainings. Mr Marcin Kapkowski worked with SANDVIK international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



Supervisory Board of the Parent as at 23 November 2017

14.3% - independent members in the Supervisory Board of LWB

14.3% - women in the Supervisory Board of LWB





Supervisory Board of the Parent as at 23 November 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.

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 is a 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





- **CSR** – Corporate Social Responsibility
- **Net debt/ EBITDA** – product of net debt (i.e. the total current and non-current liabilities less cash and equivalents) to EBITDA
- **EBIT** – earnings before interest and taxes
- **EBITDA** – EBIT increased by depreciation and amortization and impairment losses
- **Audit Committee** – a team within the Supervisory Board responsible for overseeing the company's financial reporting
- **LWB** – Lubelski Węgiel Bogdanka S.A.
- **IFRS** – International Financial Reporting Standards
- **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
- **Respect Index** – an index of socially responsible companies
- **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, 22 November 2017



Thank you!