



Directors' Report on Operations of the Lubelski Węgiel Bogdanka Group for the First Quarter of 2018

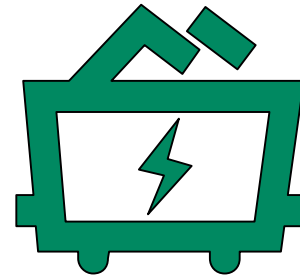


Bogdanka, 24 May 2018



13.3%

Share in the hard coal market in Poland



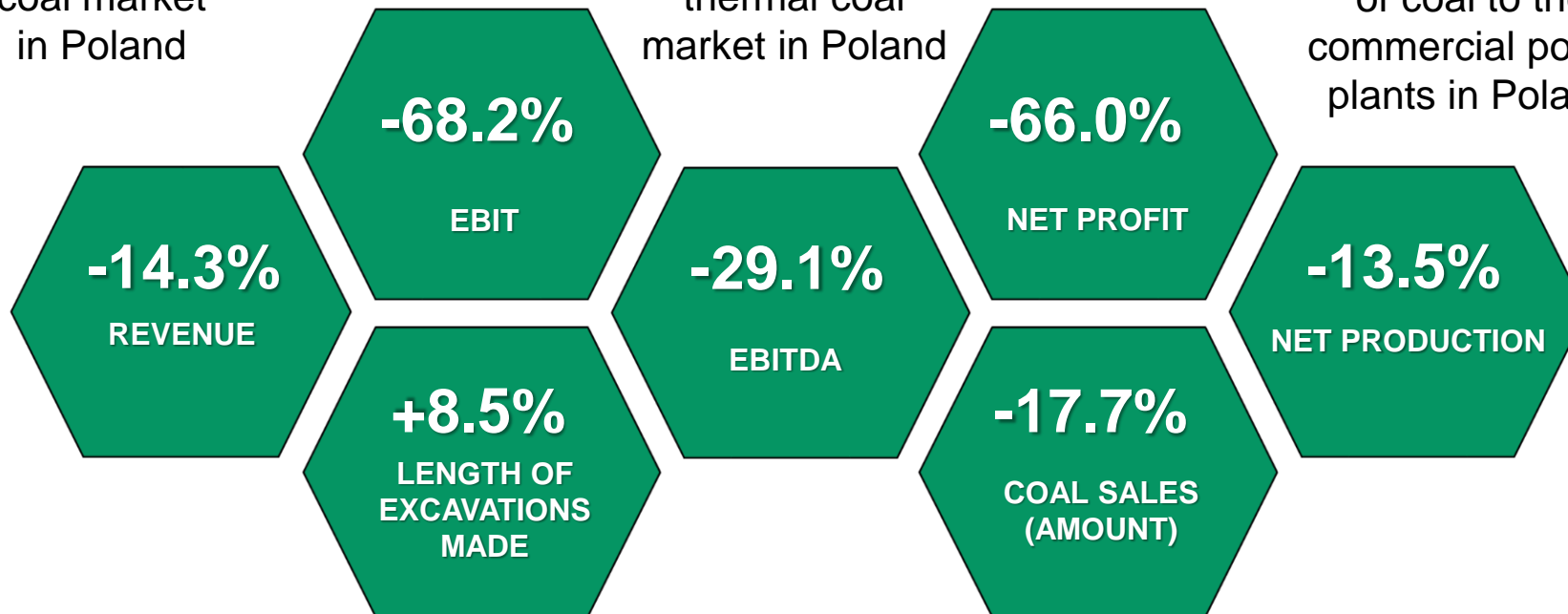
16.5%

Share in the thermal coal market in Poland



22.7%

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



Change Q1 2018/ Q1 2017



1. Summary of operational activities



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Financial and operating results were caused by factors of geological and hydrogeological nature in the walls.

In Q1 2018, the LW Bogdanka Group generated:

- net revenue of **PLN 398.7 million – decrease by 14.3% y/y**
- EBITDA of **PLN 127.5 million – decrease by 29.1% y/y**
- net profit of **PLN 23.2 million – decrease by 66.0% y/y**

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

<ul style="list-style-type: none"> • stable level of inventories • increase in prices of thermal coal (y/y) on the market • hydrological and technological difficulties were overcome, and beginning from March the production is carried out as per the plan 	<ul style="list-style-type: none"> • low production and sale of coal in Q1 2018 • low yield in Q1 2018 • hydrological and technological difficulties in the first two months of Q1 2018

the LW Bogdanka Group improved **the ratio of debt plus employee liabilities/EBITDA by almost 10.3%** from the level of **0.68 to the level of 0.61**, which is related to an improvement of the Group's cash situation and the optimisation of capital expenditure.

In the previous quarter in comparison to the same period of 2017, the Group decreased the extraction of thermal coal **to 2.1 million tonnes of coal**. It was caused by factors of geological and hydrogeological nature in the walls (problems with retaining the roof and leaking water). As a result the wall efficiency was lower than it would be in normal conditions. The problem was temporary and in March the production was pursued as per the plan. The backlog of the first quarter will be made up for in further periods. The Group sustains its declared production plan at a level not lower than 9.0 million tonnes.



2. Organisation and business activities of the LW Bogdanka Group



Basic information and key events in the first quarter of 2018

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:



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 2017, item 1577, as amended)
- Act of 9 June 2011 – Geological and Mining Law (Dz. U. [Journal of Laws] of 2017, item 2126, as amended)

The founder of the Company is the State Treasury.

The Company may operate in Poland and abroad.

The Company was established for an indefinite term.

Key events in the first quarter of 2018 and events until the publication date

Conclusion of an Annex to the Long-Term Agreement with ENERGA Elektrownie Ostrołęka S.A.

On 3 January 2018, the Parent signed an annex to the Long-Term Agreement for the sale of thermal coal with ENERGA Elektrownie Ostrołęka S.A. As a result of the Annex, the term of the Agreement has been extended until the end of 2022 (previously in effect up until the end of 2019) and the terms and conditions of supplies in 2018 have been specified. The value of the Agreement in 2018-2022 will total PLN 404 million.

Appointment of a chartered auditor

On 5 January 2018, the Supervisory Board of LW Bogdanka S.A. adopted a resolution on appointing PricewaterhouseCoopers Sp. z o.o. with registered office in Warsaw, as an entity authorised to:

- review the Company's financial statements and the Group's consolidated financial statements for the first halves of 2018-2020 prepared in accordance with the IFRS EU,
- audit the Company's financial statements and the Group's consolidated financial statements for 2018-2020 prepared in accordance with the IFRS EU.

Dismissal of the President of the Management Board of LW Bogdanka S.A. by the Supervisory Board and appointment of an Acting President

On 16 February 2018 the of LW Bogdanka S.A., acting under Article 17.1.9 of the Parent's Articles of Association, adopted the resolution on dismissal of Mr Krzysztof Szlaga from the position of the President and a Member of the Management Board. Furthermore, the Supervisory Board adopted a resolution on appointing Mr Sławomir Karlikowski, the Vice-President of the Management Board in charge of Production and the Head of Mining Supervision in Mining Facility, as acting President of the Management Board.

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

On 26 February 2018 the Parent 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 1.340 million net, of which the value in 2018-2022 is PLN 577 million net.

Concluding an agreement relating to salary payments with Trade Unions

On 28 February 2018 the Parent entered into an agreement with trade unions regarding the level of remunerations in 2018. The parties have agreed that in 2018 the rates of personal classification of employees will grow by 5%. Furthermore, by the end of March, a one-off incentive benefit will have been paid to the employees in the gross amount of PLN 2,700. Considering the above raise and the bonus, the planned amount of an average monthly salary at LW Bogdanka S.A. in 2018 will be PLN 7,932.84.

Appointment by the Supervisory Board of the President of the Management Board of LW Bogdanka S.A.

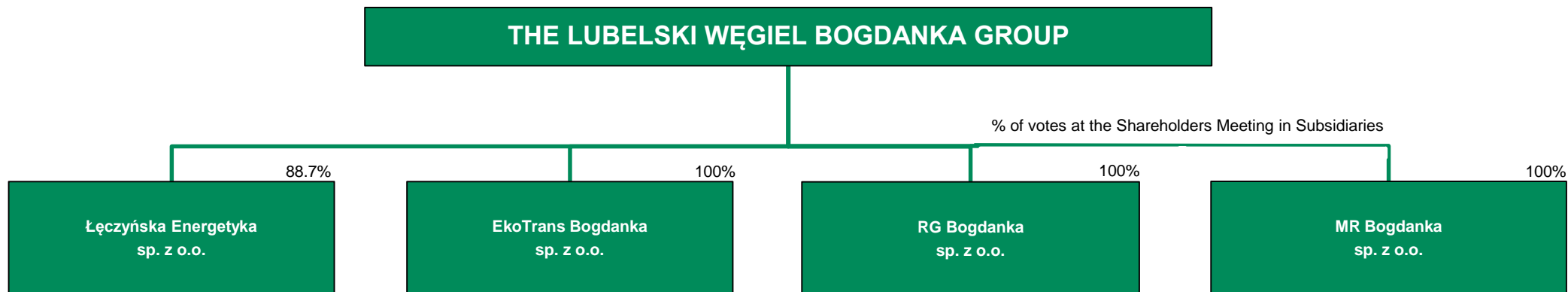
On 19 March 2018, the Supervisory Board of LW Bogdanka S.A. adopted a resolution on the appointment, effective as of 21 March 2018, of the President of the Management Board. Mr Artur Wasil joined Lubelski Węgiel Bogdanka S.A. in 2002, where he worked until 2011. In 2012 Mr Wasil started work at PRG Linter S.A. where he performed the role of Mining Director, and from 2014 performed the role of the President of the Management Board.

Redemption of Bonds by a Bank under a Bond Issue Programme

On 30 March 2018 the Parent redeemed 750 series BOGD02 300318 bonds, with a par value of PLN 100,000 each, issued under the bond issue programme on 23 September 2013. The bond issue programme was established based on an agreement concluded with Bank PKO S.A. The bonds were redeemed as scheduled, by way of payment, for each Bond, of a sum of money equal to the par value of the Bond.

Management Board's recommendation regarding the allocation of the net profit for 2017 to the reserve capital of the Parent

On 16 May 2018, the Management Board of the Parent adopted a resolution on filing a motion to the Annual General Shareholders Meeting regarding distribution of the net profit generated by LW Bogdanka S.A. in 2017 amounting to PLN 673.3 million, and to allocate it to the reserve capital in full amount. The funds are to secure the Group's cash standing and to serve as a basis for the planned investments in the Ostrów Field in the perspective after 2025.



Company name	Parent's share in the share capital		Share capital	Main activity
	31 Dec. 2017	31 Mar. 2018 and 24 May 2018		
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

In Q1 2018 there were no changes in the structure of the LW Bogdanka Group or the Group's organisational and capital relations to other entities. In the period in question there were no changes to the structure of the LW Bogdanka Group that would result from merger of business entities, acquisition or sale of the Group's undertakings, long-term investments, division, restructuring or discontinuation of activities.



Development Strategy of the LW Bogdanka Group

Development strategy of LW Bogdanka S.A.

On 9 February 2017 the Parent announced its Development Strategy of LW Bogdanka S.A. - 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).

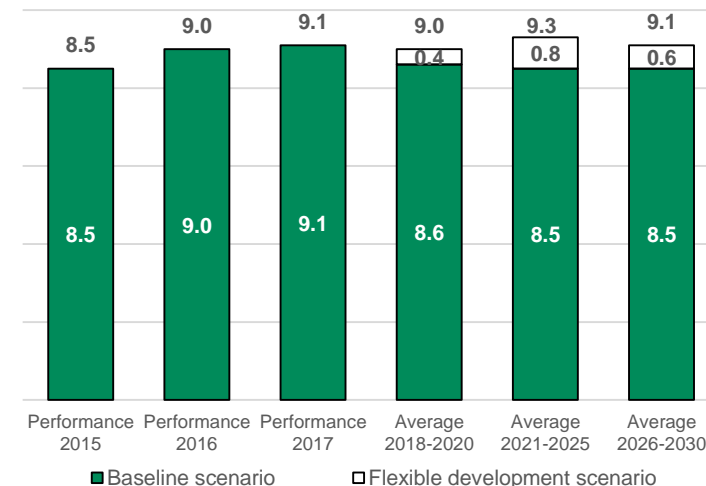
The Parent assumes that it will strengthen its market position by achieving at least a 25% share in the market of fine thermal coal for commercial power plants and, also, its financial position by a further reduction in the UMCC by 10% in real terms by 2025, compared to 2015.

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.



Development Strategy of the LW Bogdanka Group

Development strategy of the subsidiaries

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

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

- extension of the Water Treatment Station (WTS) – due to the technological needs of LW Bogdanka S.A., there are plans to perform in 2018 two further tasks, i.e. cooling fire-extinguishing water tank and installing the air-conditioning water
- modernization of boiler house in Bogdanka. As part of this task it is planned to continue in 2018 the upgrade of the pump system of the boiler house (Stage III) and construction of the transformation station, as well as the NN switchgear for the purposes of the 29 MW boiler house.
- construction of a new boiler unit in the boiler house in Bogdanka – due to the necessity to ensure uninterrupted supply of thermal energy to customers (guaranteeing an additional back-up generating capacity for mitigating the risk of breaks in heat generation); there are plans to build a new boiler unit in the boiler house. The parameters of this boiler unit will be selected with due account taken for the applicable environmental protection laws (2019-2020)
- modernisation of sanitary wastewater treatment station in Nadrybie. In 2018 it is planned to complete works related to the modernisation of sanitary wastewater treatment station in Nadrybie for the purpose of Nadrybie and Stefanów facilities.
- modernisation of the main heat line Bogdanka - Łęczna. This task will be performed with a view to reducing significant transmission losses and protecting the network against gradual corrosion, thus making them available for use in subsequent years.

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

The Company's strategic goals include:

- increase capacity in the area of mining machine manufacturing and refurbishment
- manufacture general purpose steel structures
- manufacture and regenerate mass products used by LW Bogdanka S.A.

The Company's main objectives include:

- modernisation and repairs of mining machinery and equipment
- manufacture general purpose steel structures in accordance with all formal and legal requirements
- works related to manufacture and regenerate mass products used by the Parent
- provision of underground operation maintenance services to meet the needs of the Parent
- repair and adaptation services for the office and administrative infrastructure on the surface
- perform mining work on holidays at the Parent with a view of keeping the continuity of production.

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

The Company conducts and will continue to develop its operations involving auxiliary and preparatory works for the Parent - LW Bogdanka S.A.

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

In 2018 and onwards the Company is planning to conduct business operations related to mining waste management. The Company aims to recover and recycle about 2.7 million tonnes of waste generated by dry and wet coal processing annually.



Projects completed in Q1 2018

The plan for the first quarter of 2018 included the following task groups:

- building new excavations and modernisation of the existing ones in the Bogdanka, Nadrybie, Stefanów and Ostrów Fields
- maintenance of machinery, including the purchase of machines and equipment and their repair and upgrade
- other development investments

Maintenance of machinery

Upgrades and repairs of machines and equipment – the amount of PLN 1,612,000 was assigned for the renovation of a scraper conveyor and modernisations of Bevex suspended locomotives.

Purchases of machines and devices subject to assembly – PLN 290,000 was spent for purchase of finished goods and other things.

Other development investments

Development of the mining waste treatment facility in Bogdanka – PLN 1,621,000 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.

MCPP replacement projects – PLN 209,000 the project includes modernisation of steel structures, modernisation of stone loading unit and adjustment of bridge 207.2.

Power, telecommunications and mechanical installations – PLN 1,078,000 for the expansion of the power engineering networks.

Construction and modernisation of facilities and installations – PLN 327,000 was spent for modernisation of rooms.

ICT

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

Transport

Renewal of car fleet.

Other

Environment protection – PLN 14,000 was spent for pumping stations designs at the C Ditch in Nadrybie.

Capital expenditure for excavations incurred by the Parent in Q1 2018

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	6,726	28,607	66,775	38,168
Basic excavations	linear	1,194	-	30,028	30,028
Modernizations and developments of mining workings	linear / natural	401	-	10,187	10,187
Cross-cuts	-	599	-	-	-

Selected items of capital expenditure in the LW Bogdanka Group

[PLN '000]	PTE 2018	Performed Q1 2018	Performed Q1 2018 [%]
New excavations and upgrades of existing ones	291,365	78,383	26.9%
Maintenance of machinery	142,890	1,902	1.3%
Obtaining new licences	3,900	-	-
Ostrów Field	645	184	28.5%
Longwalls	40	-	-
Other development investments	28,021	3,245	11.6%
ICT	6,957	438	6.3%
Administration	60	11	18.3%
Transport	170	97	57.1%
Other	11,322	14	0.1%
TOTAL CAPEX in LW Bogdanka S.A.	485,370	84,274	17.4%
Łęczysińska Energetyka sp. z o.o.	9,500	263	2.8%
Other Subsidiaries	1,142	319	27.9%
TOTAL CAPEX AT THE LW BOGDANKA GROUP	496,012	84,856	17.1%

The above amount of capital expenditure includes capitalised borrowing costs of PLN 1,351,000.



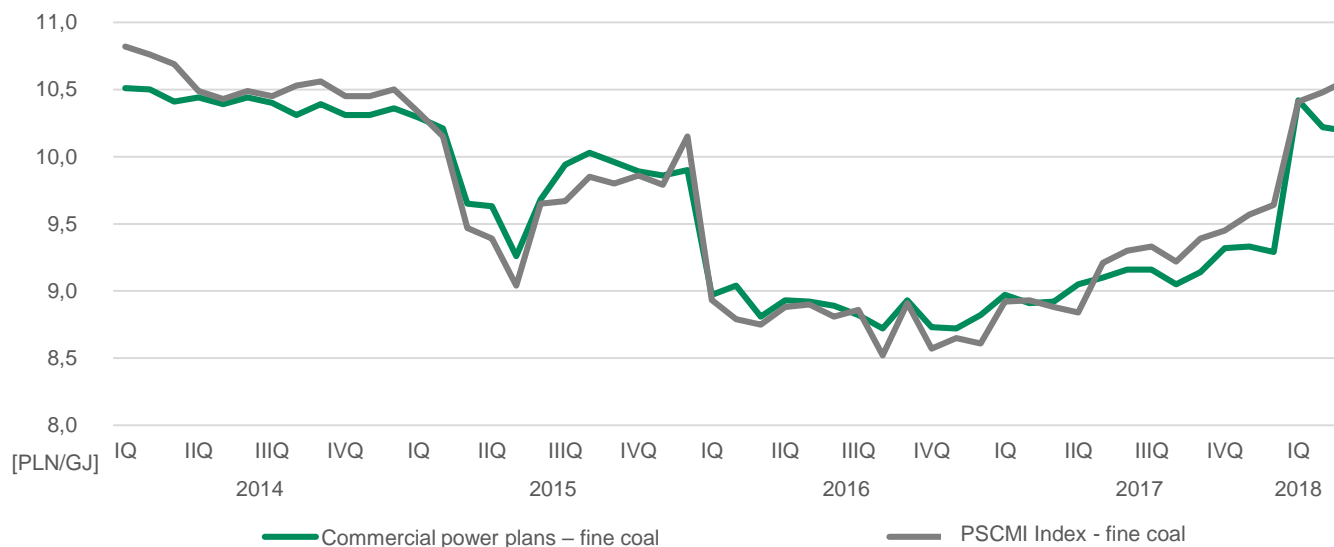
Thermal coal prices

Situation on the international market

- the average coal price CIF ARA in Q1 2018 was approx. USD 86.09/t, and was higher by 6.4% than the Q1 2017 average price (USD 80.89/t) and lower by 8.0% than the average price for Q4 2017 (USD 93.58/t), as at the end of March 2018, inventories of coal in ARA ports was 4.4 millions of tonnes and were lower by approx. 2.2% compared to end of December 2017)
- the average coal price FOB BP in Q1 2018 was approx. USD 82.75/t, and was higher by 7.0% than the average Q1 2017 price (USD 77.35/t) and lower by 5.9% than the average price for Q4 2017 (USD 87.96/tonne)
- coal production in China in Q1 2018 was approx. 806.0 million tonnes. This represents a decrease of approx. 0.4% over Q1 2017
- Imports from China in Q1 2018 were 75.0 million tonnes – an increase by 15.4% compared to Q1 2017 (65 million tonnes)
- production of coal in the USA in Q1 2018 was 173.0 million tonnes (less by 3.4% y/y), consumption stood at a similar level y/y and was 157.0 million tonnes, while exports in Q1 2018 were 23.7 million tonnes, i.e. more by 17.3% y/y
- exports of Russian coal in Q1 2018 increased by 6.8% compared to Q1 2017 and amounted to 44.4 million tonnes, production of coal in Russia in Q1 2018 was 107.0 million tonnes (more by 7.0% y/y)

Fine thermal coal prices and PSCMI index

- in Q1 2018, the average price of fine thermal coal for commercial power plants was PLN 10.28 per GJ, and comparing to Q4 2017 (PLN 9.31/GJ) the price increased by 10.3%.
- dynamics of increases in average prices, comparing Q1 2018 to Q1 2017 (PLN 8.93/GJ), was 15.1%
- average heating value of fine coal for commercial power plants was about 21.4 GJ /tonne.
- price of fine coal for commercial power plants declined by about 3.0% between January 2014 and March 2018
- in Q1 2018 the average price based on the PSCMI index was about PLN 10.49 per GJ Increase in prices was recorded by approx. 9.8% versus the Q4 2017 average price; the Index PSCMI price grew by approx. 17.7% compared to Q1 2017
- imports of Russian coal to Poland in Q1 2018 were 3.0 million tonnes – an increase by 114.3% compared to Q1 2017 (1.4 million tonnes).



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



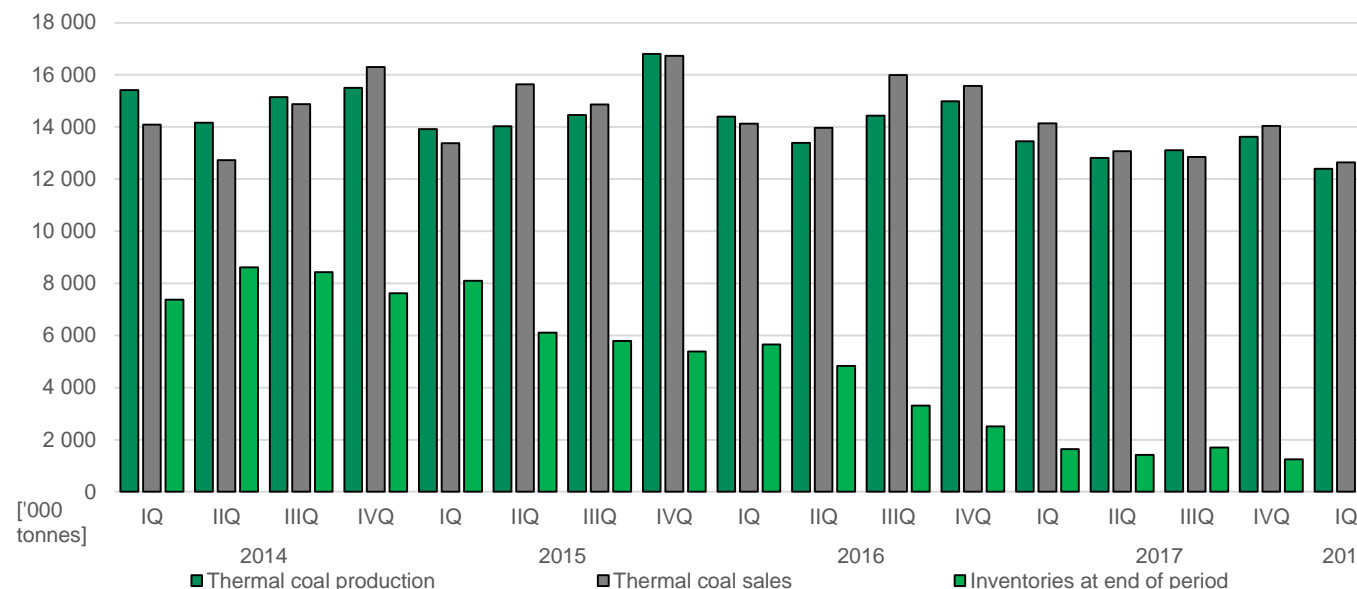
Production, sales and inventories of thermal coal in the domestic market

Situation in Poland:

- thermal coal production in Q1 2018 was 12.4 million tonnes, which represents a decrease by 8.1% (13.5 million tonnes) compared to Q1 2017
- thermal coal sales in Q1 2018 were 12.6 million tonnes – a decrease by 10.6% compared to Q1 2017 (14.1 million tonnes)
- inventories of thermal coal sales as at the end of March 2018 were 1.0 million tonnes, which in comparison to Q1 2017 represents a decrease by 37.5% (1.6 million tonnes)
- exports of thermal coal sales in Q1 2018 amounted to 0.3 million tonnes and were lower by 75.0% (1.2 million tonnes) compared to the same period of 2016
- imports of thermal coal sales in Q1 2018 were 3.7 million tonnes – an increase by 146.7% compared to Q1 2017 (1.5 million tonnes).

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

- in Q1 2018, about 7.7 million tonnes were sold to commercial power plants,
- this is about 0.2 million tonnes less than in the same period of 2017 (down by approx. 2.5%).



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



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

A full description of risks connected with the Group's operations can be found in the Report for 2017. Below please find risk factors which the Group sees as the most important risk factors in the perspective of the following (second) quarter.

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

Plans of the Ministry of Economy concerning enterprises operating in the hard coal mining and power engineering sector have a significant influence on the market position of the LW Bogdanka Group. The target amount of coal to be produced by the largest entity on the Polish market producing hard coal, PGG, is 34 million tonnes of coal. The operations 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:

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

on global markets, and therefore on the domestic market.

This is of key significance for the activities conducted by the Group, and especially by the Parent.

Starting from 2016, an increase in prices of thermal coal can be observed on the international market, where high prices of the thermal coal are maintained to date. In 2017 also on the Polish market gradual increase in prices of thermal coal was visible, which resulted from a change in the demand and supply situation and a necessity to increase the level of import. However average prices of thermal coal in Poland in 2018 are still far from high levels recorded before the falls occurring in 2013–2016.



Key customer risk factors

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

This risk has been significantly mitigated thanks to synergies worked out within the Enea Group and the conclusion in 2016 of long-term agreements with key customers ensuring purchases for at least 5 years. The Group also continues its efforts to attract new, smaller customers.

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 extend its resources and secure a raw material base for further years of activity.

Countermeasures: further steps to obtain mining licences for the K-6 and K-7 area. On 11 May 2018 the Parent filed, once again, an application for the mining licence regarding the K-6 and K-7 deposit.

Technical and technological factors

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

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

Trade unions hold a significant position in the hard coal mining sector and play an important role in determining staff and payroll policy, frequently forcing renegotiations of wage policy through protest actions. As at the day of submitting this Report, six trade union organisations operate at the Group associating 63% of employees (there are four trade union organisations at LWB associating 72% 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.

Workforce changes

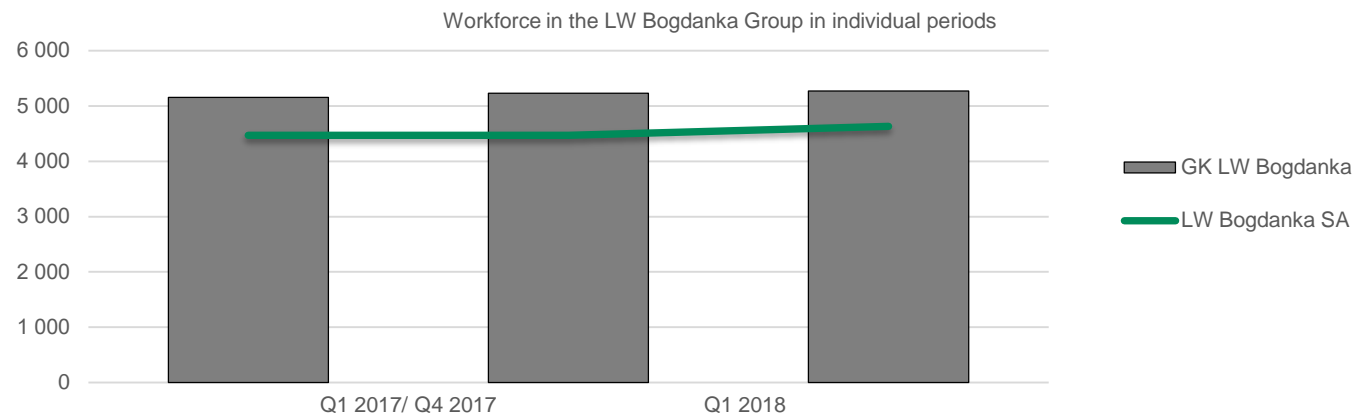
Workforce at the Group

At the end of the Q1 2018, employment at the Group increased by 115.5 FTJs, i.e. by 2.2% compared to the level of employment at the end of Q1 2017. Comparing the workforce at the end of Q1 2018 to the level of employment at the end of 2017, it increased by 39.8 FTJs.

The turnover in employment primarily results from the necessity to adjust the manpower to the current production needs of the Group.

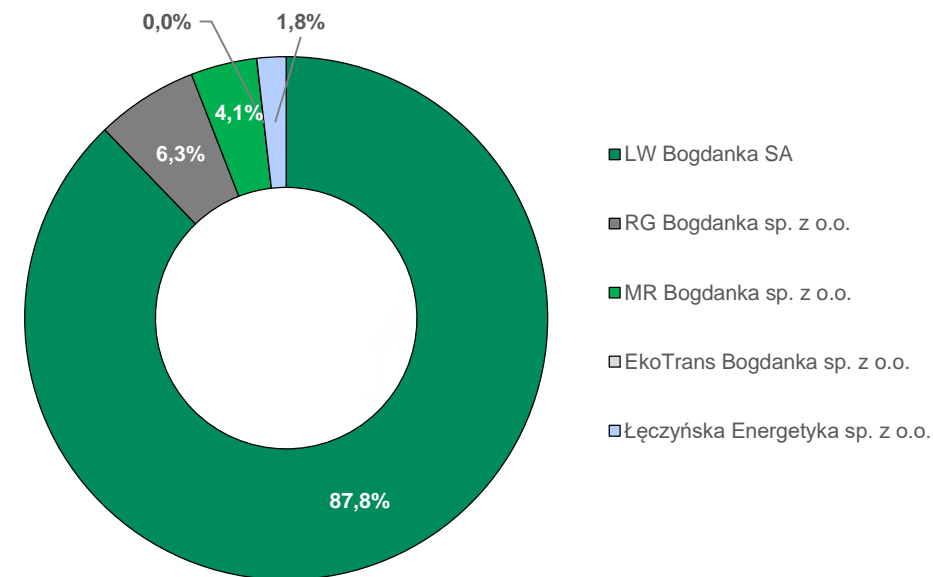
Workforce of the Parent

In Q1 2018, 204 employees were hired to LW BOGDANKA S.A., while 43 employees left the Company.



WORKFORCE	31 Mar. 2017	31 Dec. 2017	31 Mar. 2018	Workforce structure at the Group	Change Q1 2018/ Q1 2017	Change Q1 2018/ Q4 2017
Workforce at the Group calculated per full-time employees						
Total workers	3,845.0	3,837.0	3,992.0	-	3.8%	4.0%
Underground workers	2,898.0	2,911.0	3,061.0	-	5.6%	5.2%
Surface workers	947.0	926.0	931.0	-	-1.7%	0.5%
Full-time employees underground	310.0	313.0	316.0	-	1.9%	1.0%
Full-time employees on the surface	315.6	320.2	323.2	-	2.4%	0.9%
Total underground	3,207.6	3,224.0	3,377.0	-	5.3%	4.7%
LW Bogdanka S.A.	4,470.6	4,470.2	4,631.2	87.8%	3.6%	3.6%
RG Bogdanka sp. z o.o.	350.0	424.1	331.1	6.3%	-5.4%	-21.9%
MR Bogdanka sp. z o.o.	235.3	239.8	216.1	4.1%	-8.2%	-9.9%
EkoTrans Bogdanka sp. z o.o.	2.0	1.0	1.0	0.0%	-50.0%	-
Łęczyńska Energetyka sp. z o.o.	99.5	98.0	93.5	1.8%	-6.0%	-4.6%
LW Bogdanka Group	5,157.4	5,233.1	5,272.9	100.0%	2.2%	0.8%

Workforce structure at the LWB Group broken down into companies





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

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

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

The Parent is consistently implementing the "Corporate Social Responsibility Strategy for 2014-2017". In a nutshell, the approach to social responsibility management can be defined as follows: "Safety of workforce, protection of local community and natural environment. Sustainable and foreseeable development and growth in value of the Company". Actions undertaken within the Strategy correspond to the following four priorities:

- to strive to increase the safety of workforce;
- to guarantee the safety of local natural environment;
- to ensure safety and support development of the local community;
- to follow transparent and responsible management practices.

While implementing CSR projects, LW Bogdanka S.A. is guided by the recommendations of the PN-ISO 26000 standard, which was developed in 2010 by the International Organisation for Standardisation, and constitutes a guide for organizations as to the application of the principles of social and environmental responsibility. ISO 26000 contains Guidance on Social Responsibility, defined as the responsibility of the organization for the impact that its decision and activities have on the society and the environment, through transparent and ethical behaviour in key areas, such as:

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



Management approach

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

From the beginning of 2018 a the works are continued by a Team established to adjust the Integrated Management System to changes in resulting from updating the ISO 9001 and ISO 14001 standards.

Ethics as component of the organisational culture



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

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

"Supplier Code of Conduct of LW Bogdanka S.A."; "Guidelines for Filing and Handling Complaints Related to Noncompliance with the Rules of the Company's Code of Ethics"; information regarding "Compliance with the Rules of Ethics at Interviews with Injured Parties and Witnesses for the Purposes of Developing Accident Reports". 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.

Close to the 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 – at the beginning of 2018 a promotional campaign was launched with a view to advertising the publishing of a new Guide to the path, which is an effect of efforts pursued in 2017.



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

Relations with the local community

From the very beginning of its existence, the LW Bogdanka Group has been supporting the local community, including a wide range of social initiatives, aimed at the development of the cultural, scientific, educational and health realm, construction of communal infrastructure, and answering other needs of the local community. The Group also sponsors sporting and cultural activity. In its efforts to support health and safety, the Group supported Children's Research Hospital in Lublin and a MONAR centre 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 and accompanying events.

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.

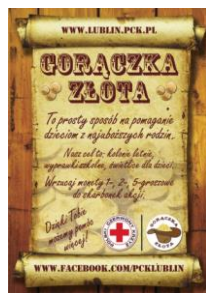
Acting with an aim to fulfill its statutory objectives, the Foundation has financed surgeries, medical procedures, treatment, and rehabilitation, purchase of medical equipment and devices (a wheelchair, equipment for testing vibrations, a defibrillator, a lift for a disabled person, barrier-free environment, etc.) and access-friendly infrastructure (such as bathrooms and barrier-free architecture) for the disabled.

Given that the Foundation has now the status of a public benefit organisation, it is possible, for the first time, to remit 1% of tax for the Foundation with the annual income tax settlement (for 2017).

Employee volunteering

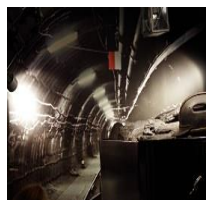


Positive Twist – a continuing campaign involving collection of screw-on bottle caps for the children and youth from the Little Prince Hospice in Lublin. In Q1 2018 several hundred kilogrammes of plastic bottle caps were collected.



The employees of the Parent initiated the second issue of the Gold Rush project which 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. In 2017, 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..



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.



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

Awards and accolades



Award for LW Bogdanka S.A. in the Report of the Responsible Business Forum "Responsible Business in Poland. Good Practice 2017".



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

Dialogue with the stakeholders



The Group pursues its efforts to increase transparency and enable the stakeholders to participate in the process of creating of actions and strategy. For this purpose, the LW Bogdanka S.A.:

- published the "Statement on non-financial data" with additional information on CSR ratios,
- Organised a series of dialogues with the stakeholders (March 2018), in accordance with the AA1000 standard, allowing for a room for discussions on past and future goals of LW Bogdanka S.A. with respect to social responsibility,
- carried out an evaluation of the CSR Strategy for 2014–2017, the findings of which were taken into account in the process of updating the document.



3. Financial standing



Production, sales and inventories of coal

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

The production of commercial coal in Q1 2018 was nearly 2.1 million tonnes compared to 2.4 million tonnes in Q1 2017. The sales of coal arrived at 2.0 million tonnes, compared to 2.4 million tonnes a year before. The drop in production and in consequence worse results on the year-on-year basis were caused by factors of geological and hydrogeological nature in the walls (problems with retaining the roof and leaking water). As a result the wall efficiency was lower than it would be in normal conditions. The problem was temporary and in March the production was pursued as per the plan. The backlog of the first quarter will be made up for in further periods. The Group sustains its declared production plan for the whole 2018 at a level not lower than 9.0 million tonnes.

Works are consistently conducted at the Parent to optimise the mining process. 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. Current debt plus cash held, guarantee the financing on an on-going basis. In Q1 2018 the Parent has had one bond issue programme. As per the schedule, it plans to redeem the remaining bonds by the end of 2018 worth in total PLN 300,000,000. The LW Bogdanka Group monitors on an ongoing basis the level of costs, ratios and the value of accumulated cash. As at the date of drawing up the information, there are no premises indicating a risk of inability to settle contracted liabilities in future.

Production, sales and inventories of coal

In Q1 2018, the production of commercial coal in the Group decreased by 13.5% compared to the same period of 2017 and amounted to 2,095,000 tonnes.

Production of commercial coal by the Parent.

['000 tonnes]	Q1 2017	Q1 2018	Change	Change %
Production of commercial coal	2,422	2,095	-327	-13.5%

Structure of commercial coal production by the Parent

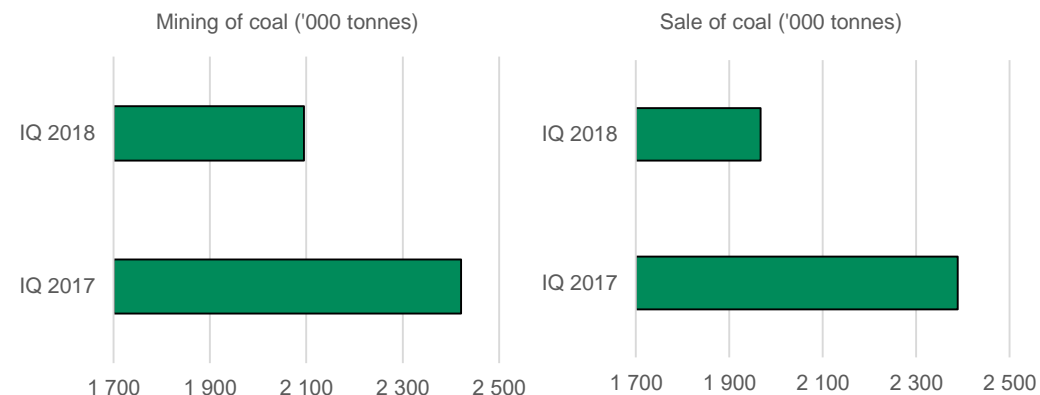
[%]	Q1 2017	Q1 2018
Fine coal	98.4%	99.4%
Nut coal	0.7%	0.1%
Pea coal	0.9%	0.5%
Total	100.0%	100.0%

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

Commercial coal sales at the Parent

['000 tonnes]	Q1 2017	Q1 2018	Change	Change %
Sale of commercial coal	2,389	1,967	-422	-17.7%

The sales of coal in Q1 2018 decreased by 17.7% compared to Q1 2017 and amounted to 1,967,000 tonnes.



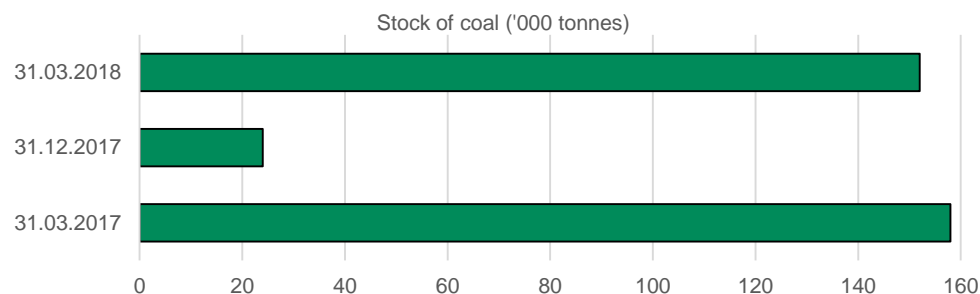
As at the end of Q1 2018, the inventories of coal amounted to 152,000 tonnes which means an increase by 128,000 tonnes compared to 31 December 2017. The level of coal inventories as presented for the end of Q1 2018 corresponds to approx. five days of commercial coal production (on the basis of an average 3-month daily production).

Inventories

['000 tonnes]	31 Mar. 2017	31 Dec. 2017	31 Mar. 2018	Change [%] 31 Mar. 2018 / 31 Mar. 2017	Change [%] 31 Mar. 2018 / 31 Dec. 2017
Inventories of coal	158	24	152	-3.8%	533.3%



Revenue and key customers



Revenue and key customers

In Q1 2018, the LW Bogdanka Group generated revenue in the amount of PLN 398,697,000, which represents a decrease by 14.3% compared to Q1 2017.

The main source of revenue on sales of the LW Bogdanka Group is the production and sale of thermal coal performed by the Parent. In each of the compared reporting periods this activity generates approx. 97% of the LW Bogdanka Group's revenue.

In the quarterly consolidated financial statements published by the LW Bogdanka Group, for presentation purposes, data concerning revenue on coal sales and costs of products, goods and materials sold is adjusted (downwards) by the value of sold coal that was obtained by the Parent during drilling of excavations. Bearing in mind the above, the values indicated in the consolidated income statement for the period from 1 January to 31 March 2018 was adjusted by PLN 28,607,000, while in the same period of the previous year – by PLN 20,406,000.

More than 92% of coal sales (in terms of value) in the period from 1 January to 31 March 2018 was effected between the Parent and Enea Wytwarzanie sp. z o.o., Enea Elektrownia Połaniec S.A., Grupa Azoty Zakłady Azotowe Puławy S.A. and PGE Paliwa sp. z o.o.

Among the abovementioned customers the 10% of share in the Group's revenue was held by:

- Enea Wytwarzanie sp. z o.o. – Enea Group – approx. 64% of share in the revenue
- Enea Elektrownia Połaniec S.A. – Enea Group – approx. 25% share in the revenue

Dynamics of changes in product range with respect to revenue

[PLN '000]	Q1 2017	Q1 2018	Change	Change %
Sale of coal	448,829	384,604	-64,225	-14.3%
Other activities	13,873	10,093	-3,780	-27.2%
Sale of goods and materials	2,464	4,000	1,536	62.3%
Total	465,166	398,697	-66,469	-14.3%

In Q1 2018 revenue on other operations (which includes revenue of subsidiaries) were PLN 10,093,000 (2.5% of total revenue), compared to PLN 13,873,000 (3.0% of revenue) in the analogous period of 2017 (down by 27.2% y/y). A significant share in that group of revenue was held by:

- revenue from services of coal transport provided by the Parent for the benefit of some customers (main reason for drops in revenue in this group)
- revenue generated by Łęczyńska Energetyka from the sale of heat energy to third parties
- revenue on industrial services provided to companies performing works contracted by the Parent
- revenue on lease of non-current assets.

The largest share in revenue was recorded by sale of coal, which in Q1 2018 accounted for 96.5% of all revenue. The share of revenue from the sale of goods and materials in the current period of 2018 changed over 2017 and was 1.0% (up by 0.5 p.p. y/y). In 2018 higher prices of steel were recorded, which translated into an increase in the value of scrap sold.

Revenue - structure by product types

[%]	Q1 2017	Q1 2018
Sale of coal	96.5%	96.5%
Other activities	3.0%	2.5%
Sale of goods and materials	0.5%	1.0%
Total	100.0%	100.0%

The activities of the Group are primarily concentrated in Poland. In Q1 2018 the exports of goods and products included primarily sale of coal to Hungary, while in 2017 exports were carried out to the Ukrainian market. In the analysed period of 2018 the share of exports in the total revenue was insignificant and amounted to PLN 61,000, while in Q1 2017 the figure was PLN 24,981,000.

Geographical structure of revenue

[PLN '000]	Q1 2017	Structure	Q1 2018	Structure
Domestic sales	440,185	94.6%	398,636	100.0%
Foreign sales	24,981	5.4%	61	0.0%
Total	465,166	100.0%	398,697	100.0%



Costs in LW Bogdanka S.A.

Costs

Costs of LW Bogdanka are presented in as costs by type and costs by function. The recording of prime costs by type covers all expenditure related to the factors and means of production used by the Parent in its operating activities. The costs incurred, in accordance with the formula presented, reflect the use of a given production means or resources (e.g. materials, energy or labour costs) regardless of whether these will be charged to the costs of a given period as related to the product excavated and sold (commercial coal) or whether they have been used by the Parent to finance the construction of a given facility with its own funds (incl. longwall galleries) and in the future, following the completion and settlement of a given investment task, they will be activated and depreciated as non-current assets, constituting depreciation costs of the period in question.

Costs by type

In Q1 2018, LW Bogdanka S.A. incurred costs by type in the amount of PLN 510,244,000 (PLN 78,106,000 y/y), i.e. by 18.1% higher than in Q1 2017. The increase in costs noted in Q1 2018 was largely influenced by increase in employee benefits, higher costs of consumption of materials and energy and of the outsourced services.

The value of depreciation and amortisation went up by 10.0% (to PLN 96,748,000) – in relation to the reversal, as at the end of 2017, of impairment loss of Company's assets, the value of assets (being the basis of depreciation and amortisation) increased and so did the value of monthly depreciation/amortisation write-off.

Total cost of materials and energy consumption went up by 23.6% compared to Q1 2017, and totalled PLN 139,290,000. In the period under analysis, the cost of materials used rose (the scope of preparatory works was higher - 8.52 km of galleries were completed in Q1 2018, compared to 7.85 km y/y in the previous year, which represents an increase of 8.5%). An additional influence on the increase in costs was effected by an increase in steel prices, recorded in the second half of 2017 (by approx. 20%).

Compared to Q1 2017, the value of outsourced services in Q1 2018 went up from PLN 101,136,000 to PLN 114,781,000 (+13.5%). In the period under analysis, the Company recorded increases in:

- costs of repair of mining machines and devices
- works on Saturdays, Sundays and holidays (increase in the rate of man-shift and a higher scope of works commissioned to outsourced companies)
- services related to management of waste (the same gross production with a lower yield resulted in higher amount of mining waste).

In Q1 2018, compared to Q1 2017, the value of employee benefits increased by PLN 29,378,000. In 2018, under a signed agreement related to salary payment, the employees of LW Bogdanka S.A. received a 5% salary raise and a one-off incentive bonus of PLN 2,700 (to be charged pro rata into monthly costs through accruals and prepayments). Additionally, in Q1 2018 two installments of a write-off to the Company Social Benefits Fund were recorded, i.e. in the amount of PLN 7,288,000 and an additional one of PLN 6,500,000, while in Q1 2017 only one, mandatory, write-off was made in the amount of PLN 7,158,000 (with the additional one of PLN 6,500,000 recognised in Q2 2017).

The value of taxes, fees and charges paid slightly went down in Q1 2018 to PLN 10,909,000 from PLN 11,341,000 in Q1 2017 – both the exploitation fee and the real property tax were lower.

The value of other costs increased from PLN 829,000 (Q1 2017) to 896,000 (Q1 2018).

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 401,998,000 for Q1 2018. As compared to the previous year, it is higher by PLN 23,144,000.

Costs by type

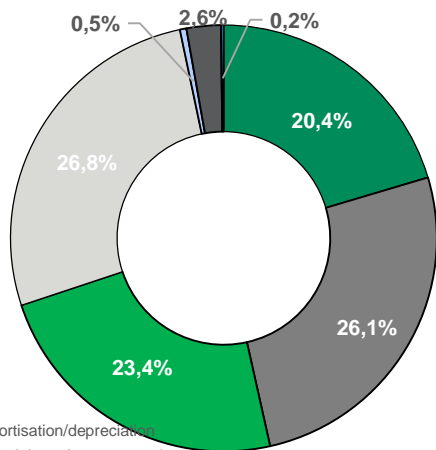
[PLN '000]	Q1 2017	Q1 2018	Change
Net production [in '000 tonnes]	2,422	2,095	-13.5%
Sales [in '000 tonnes]	2,389	1,967	-17.7%
Amortisation	87,959	96,748	10.0%
Materials and energy consumption	112,660	139,290	23.6%
External services	101,136	114,781	13.5%
Employee benefits	115,973	145,351	25.3%
Entertainment and advertising costs	2,240	2,269	1.3%
Taxes, fees and charges	11,341	10,909	-3.8%
Other costs	829	896	8.1%
Total costs by type	432,138	510,244	18.1%
Cost of own work	-58,223	-61,589	5.8%
Accruals and deferrals	13,987	-5,136	-
Value of coal obtained from excavations	-20,406	-28,607	40.2%
Provisions and other presentation adjustments between costs by type and by function	11,696	3,848	-67.1%
Total production cost	379,192	418,760	10.4%
Change in inventory of products	-2,702	-20,765	668.5%
Costs of goods and materials sold	2,364	4,003	69.3%
Own cost of sales, including:	378,854	401,998	6.1%
Costs of products, goods and materials sold	341,381	364,329	6.7%
Selling costs	13,558	10,578	-22.0%
Administrative expenses	23,915	27,091	13.3%

Costs in LW Bogdanka S.A.

The changes presented in the group of costs by type had an impact on the change in the structure thereof. In Q1 2018 (compared to the same period of the previous year) the cost of consumption of materials and employee benefits increased (to 27.3% and to 28.5%, respectively). A decrease was noted with respect to the share of depreciation/amortisation and external services costs.

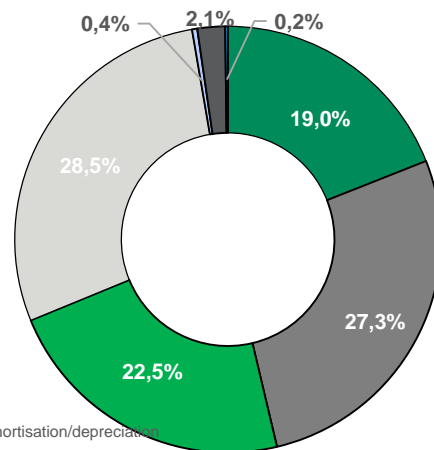
Between 1 January 2018 and 31 March 2018 the consumption of materials and energy, external services as well as employee benefits accounted for almost 78.3% of costs, while in the comparable period of 2017 it was almost 76.3% of total costs of the Company.

Structure of costs by type Q1 2017



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

Structure of costs by type Q1 2018



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

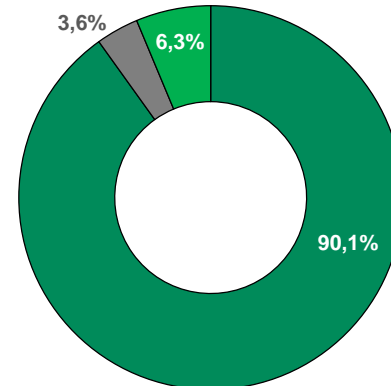
Costs by function

Own cost of production sold (by function) in Q1 2018 was PLN 401,998,000 and was higher by 23,144,000 than the cost incurred in Q1 2017. The 6.7% y/y increase in costs of products, goods and materials sold had the most significant impact on the increase in own cost of production sold.

Costs by function

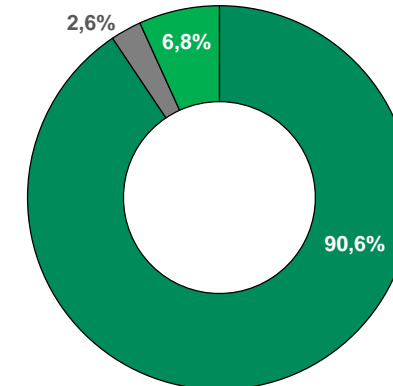
[PLN '000]	Q1 2017	Q1 2018	Change
Net production [in '000 tonnes]	2,422	2,095	-13.5%
Sales [in '000 tonnes]	2,389	1,967	-17.7%
Costs of products, goods and materials sold	341,381	364,329	6.7%
Selling costs	13,558	10,578	-22.0%
Administrative expenses	23,915	27,091	13.3%
Own cost of sales	378,854	401,998	6.1%

Structure of costs by function Q1 2017



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

Structure of costs by function Q1 2018



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



Provisions

Provisions at the LW Bogdanka Group

Balance-sheet provisions

[PLN '000]	31 Mar. 2017	31 Dec. 2017	31 Mar. 2018	Change Q1 2018/ Q1 2017	Change Q1 2018/ Q4 2017
Employee provisions	276,089	157,021	157,853	-42.8%	0.5%
Provision for real property tax	35,223	42,353	44,662	26.8%	5.5%
Provision for the mine closure costs and land reclamation	118,124	114,448	116,085	-1.7%	1.4%
Mining damage	4,337	4,434	4,346	0.2%	-2.0%
Provision for Social Insurance Institution (ZUS) claim for accident contributions	20,358	21,340	21,669	6.4%	1.5%
Other	14,039	17,643	18,180	29.5%	3.0%
Total	468,170	357,239	362,795	-22.5%	1.6%

The total provisions as at 31 March 2018 amounted to PLN 362,795,000, which means an increase by 1.6% compared to the value as at 31 March 2017 and a drop by 22.5% compared to 31 December 2017.

Comparing to 31 December 2017, employee provisions dropped by 42.8% and amounted to PLN 157,853,000 as at 31 March 2018. On 17 October 2017, the Management Board of the Parent signed with the trade unions active at the Group an agreement to amend the existing Company Collective Bargaining Agreement to the extent it is related to payments of coal allowances to the retirees and pensioners. Given the above, the coal allowance provisions were released and a provision for additional severance pay for retirees and pensioners was created.

[PLN '000]	Change Q1 2017	Change Q1 2018	Change
Employee provisions	9,108	832	-90.9%
Provision for real property tax	2,767	2,309	-16.6%
Provision for the mine closure costs and land reclamation	701	1,637	133.5%
Mining damage	-103	-88	-14.6%
Provision for Social Insurance Institution (ZUS) claim for accident contributions	316	329	4.1%
Other	125	537	329.6%
Total	12,914	5,556	-57.0%

[PLN '000]	Change of provisions in Q1 2018	Change disclosed in operating activity (EBITDA)	Change disclosed below the result of operating activity - interest	Including:		
				Change disclosed only in the balance sheet - increase in value of property, plant and equipment	Change disclosed in other comprehensive income	Change disclosed only in the balance-sheet — use of the provision
Employee provisions	832	6,353	1,007	-	-	-6,528
Provision for real property tax	2,309	1,610	699	-	-	-
Provision for the mine closure costs and land reclamation	1,637	290	859	488	-	-
Mining damage	-88	-	-	-	-	-88
Provision for Social Insurance Institution (ZUS) claim for accident contributions	329	-	329	-	-	-
Other	537	-97	679	-	-	-45
Total	5,556	8,156	3,573	488	-	-6,661



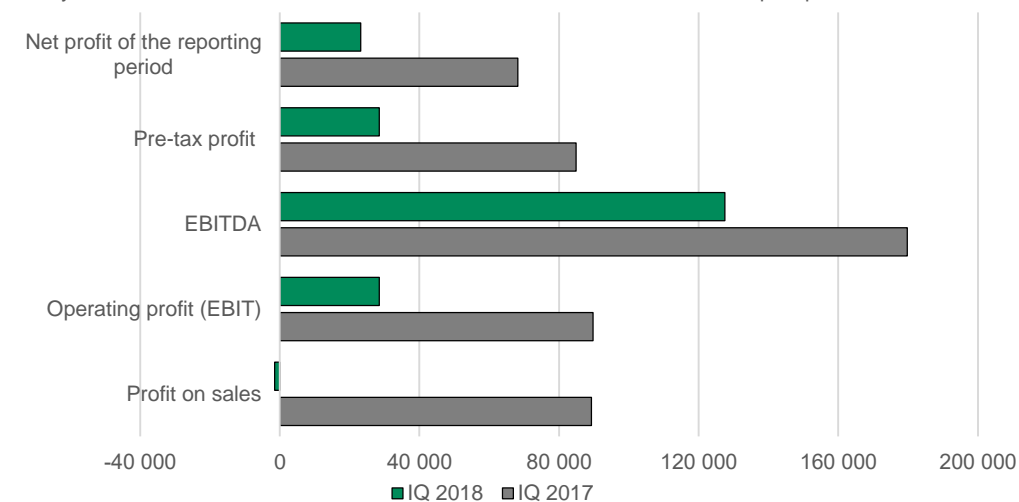
Financial highlights

Financial highlights of the LW Bogdanka Group

Analysis of the consolidated income statement

[PLN '000]	Q1 2017	Q1 2018	Change
Revenue	465,166	398,697	-14.3%
Costs of products, goods and materials sold, selling and administrative expenses	375,836	400,160	6.5%
Profit / (loss) on sales	89,330	-1,463	-
<i>Profit on sales margin (Gross margin)</i>	<i>19.2%</i>	<i>-0.4%</i>	<i>-19.6 p.p.</i>
Other income	1,228	31,172	2,438.4%
Other costs	55	429	680.0%
Net operating profit	90,503	29,280	-67.6%
Other net losses	-760	-771	1.4%
Operating profit (EBIT)	89,743	28,509	-68.2%
<i>EBIT margin</i>	<i>19.3%</i>	<i>7.2%</i>	<i>-12.1 p.p.</i>
EBITDA	179,820	127,476	-29.1%
<i>EBITDA margin</i>	<i>38.7%</i>	<i>32.0%</i>	<i>-6.7 p.p.</i>
Finance income	2,519	4,780	89.8%
Finance costs	7,400	4,760	-35.7%
Profit before taxation	84,862	28,529	-66.4%
<i>Pre-tax profit margin</i>	<i>18.2%</i>	<i>7.2%</i>	<i>-11.0 p.p.</i>
Income tax	16,683	5,360	-67.9%
Net profit for the financial year	68,179	23,169	-66.0%
<i>Net profit margin</i>	<i>14.7%</i>	<i>5.8%</i>	<i>-8.9 p.p.</i>

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





Financial highlights

Revenue

The value of revenue for the Q1 2018 went down by 14.3% compared to the same period of the previous year and amounted to PLN 398,697,000.

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

In Q1 2018 the costs of products, goods and materials sold plus selling costs and administrative expenses went up by 24,324,000 compared to the same period of the previous year and amounted to PLN 400,160,000.

Profit / (loss) on sales

In Q1 2018 loss on sales amounted to PLN 1,463,000, while in the same period of 2017 profit on sales was recorded and amounted to PLN 89,330,000. The drop in results y/y was primarily caused by an increase in costs driven by factors of geological and hydrogeological nature in the walls (problems with retaining the roof and leaking water). As a result the wall efficiency was lower than it would be in normal conditions, which in turn resulted in high operating costs of the Group (gross extraction was higher by 1.7% y/y with the net extraction lower by 13.5% y/y).

Other income

In the first quarter of 2018 other income amounted to PLN 31,172,000 compared to PLN 1,228,000 a year before. The increase in income took place in relation to the settlement between the Parent and the consortium of Mostostal Warszawa S.A. and Acciona Infraestructuras (which had a positive impact on EBIT and EBITDA of approx. PLN 28,666,000).

Other net losses

In Q1 2018 other net losses amounted to PLN 771,000, compared to PLN 760,000 in the same period of the prior year, i.e. they stood almost at the same level y/y.

EBIT

Operating result in Q1 2018 amounted to PLN 28,509,000. EBIT margin in was 7.2%, i.e. it was lower by 12.1 p.p. than in the first quarter of the previous year.

EBITDA

EBITDA in Q1 2018 increased by 29.1% compared to Q1 2017 and amounted to PLN 127,476,000. EBITDA margin in Q1 2018 equalled 32.0%, which shows a decrease compared to the same period of 2017.

Finance income

Finance income in Q1 2018 amounted to PLN 4,780,000 (+89.8%). The y/y increase in finance income took place in relation to the settlement between the Parent and the consortium of Mostostal Warszawa S.A. and Acciona Infraestructuras, which had an impact on finance income of PLN 2,753,000.

Finance costs

In Q1 2018 finance costs amounted to PLN 4,760,000 and were lower by 35.7% than the costs in the same period of 2017. As at 31 March 2018 total debt of the Group amounted to PLN 244,467,000, including that of the Parent of PLN 225,030,000 compared the Group's debt of PLN 322,544,000 as at 31 March 2017. The value of an average annual debt decreased and the structure of finance costs capitalisation changed.

Profit before taxation

In Q1 2018 the Group generated pre-tax profit of PLN 28,529,000 compared to PLN 84,862 in Q1 2017.

Net profit for the financial year

In Q1 2018 the Group achieved net profit of PLN 23,169,000 compared to PLN 68,179,000 in Q1 2017.



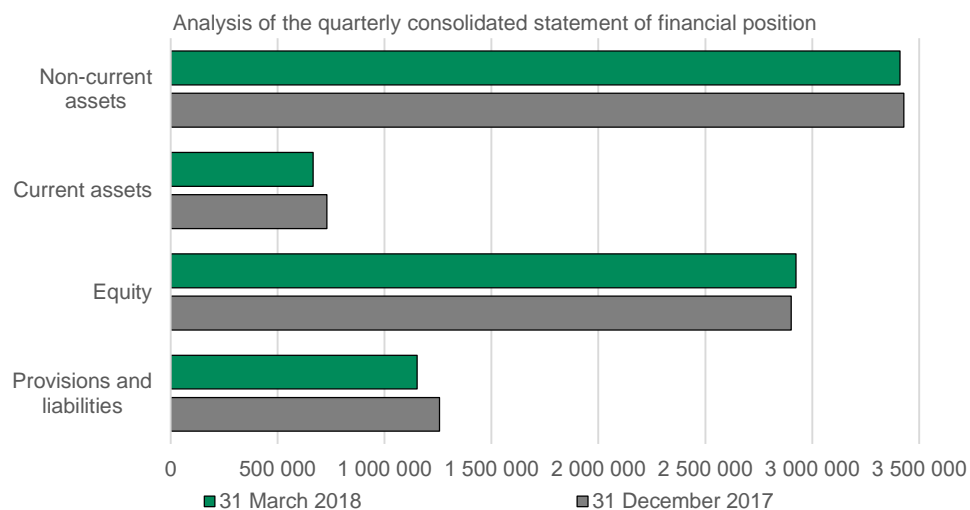
Balance sheet

Balance sheet

Selected financial data

[PLN '000]	31 Dec. 2017	31 Mar. 2018	Change
Total assets	4,158,872	4,077,251	-2.0%
ROA	16.8%	15.1%	-1.7 p.p.
Non-current assets	3,428,805	3,410,969	-0.5%
Current assets	730,067	666,282	-8.7%
Equity	2,901,527	2,924,696	0.8%
Return on Equity (ROE)*	25.7%	21.4%	-4.3 p.p.
Provisions and liabilities	1,257,345	1,152,555	-8.3%

* the calculations include net result for the last four quarters and an average level of assets and equity (as at 31 March 2018 + as at 31 December 2017)/2



Assets

The balance-sheet total as at 31 March 2018 went down to PLN 4,077,251,000 (i.e. by PLN 81,621,000) compared to the value as at 31 December 2017, with non-current assets going down by PLN 17,836,000 and current assets – by PLN 63,785,000. Among current assets the value of cash dropped significantly (which is mainly related to a decrease in revenue and redemption of the first tranche of bonds worth PLN 75,000,000).

As at 31 March 2018 the ROA figure was 15.1%. The decrease in profitability in Q1 2018 was attributable to a drop in the net result for the last four quarters.



Equity and liabilities

The equity went up by 0.8%. It was caused by recognising net total income in the amount of PLN 23,169,000 for Q1 2018.

Provisions and liabilities went down by 8.3% compared to the value as at 31 December 2017, with current liabilities going down by 14.7% (decrease in liabilities on bonds issue – by 25.5%), and non-current liabilities slightly going up by 1.0%.

In relation to a lower result for the last four quarters, as at 31 March 2018 a decrease in ROE was recorded (by 4.3 p.p.) compared to the end of 2017. The value of the ratio as at 31 March 2018 was 21.4% compared to 25.7% as at 31 December 2017.

Cash flow

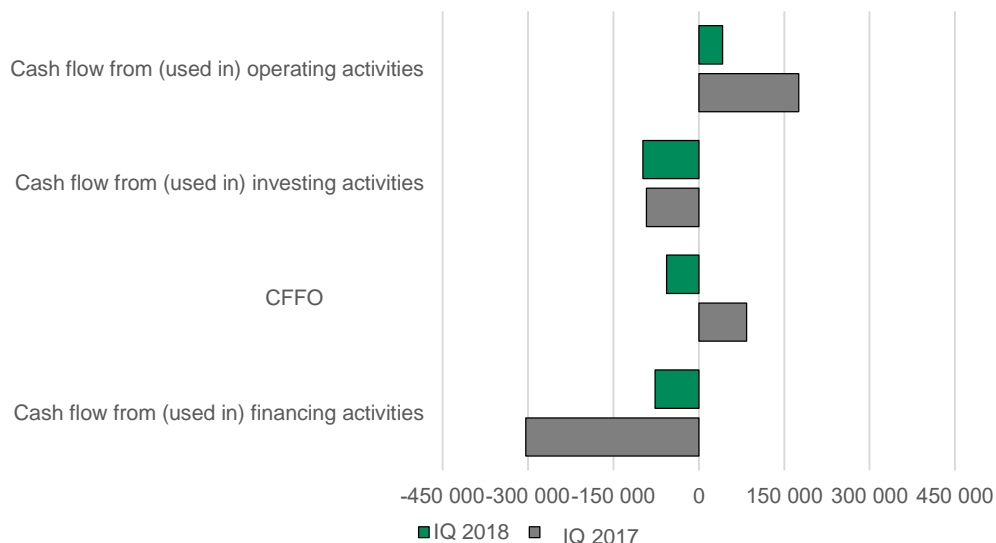
Cash flows

Consolidated cash flow

[PLN '000]	Q1 2017	Q1 2018	Change
Cash flow from (used in) operating activities	175,485	41,559	-76.3%
Cash flow from (used in) investing activities	-91,706	-98,258	7.1%
CFFO*	83,779	-56,699	-
Cash flow from (used in) financing activities	-303,803	-76,933	-74.7%

*total cash flow from operating and investing activity

Analysis of the consolidated statement of cash flows



In Q1 2018 the Group generated net cash flow from operating activities lower by 76.3% than in Q1 2017. It amounted to PLN 41,559,000 compared to PLN 175,485,000 a year before. In the period under analysis the revenue on sale of coal decreased significantly, while the period's cash costs by type increased by 20%.

Cash flow from investing activities increased (in absolute terms) by 7.1% (to PLN 98,258,000) compared to the same period in 2017.

The Group recorded negative cash flow from financing activities of PLN 76,933,000 (the first tranche of bonds (PLN 75,000,000) was redeemed as per the schedule, loans of PLN 759,000 were repaid and interest of PLN 1,174,000 was paid).



Debt and liquidity ratios

Debt and financing structure

[PLN '000]	31 Dec. 2017	31 Mar. 2018	Change
Overall debt ratio	30.2%	28.3%	-1.9 p.p.
Ratio (debt plus employee liabilities)/EBITDA	0.68	0.61	-10.3%
Net debt ratio/EBITDA*	-0.16	-0.09	-43.8%
Debt to equity ratio	43.3%	39.4%	-3.9 p.p.
Fixed capital to non-current assets ratio	96.2%	97.5%	1.3 p.p.
Current debt ratio	17.9%	15.6%	-2.3 p.p.
Non-current debt ratio	12.3%	12.7%	0.4 p.p.

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

Overall debt ratio

The overall debt ratio as at 31 March 2018 went down by 1.9 p.p. compared to 31 December 2017 and reached 28.3% - the share of borrowed capital in the overall financing sources of the Group decreased (on 30 March 2018 bonds worth PLN 75,000,000 were redeemed by the Parent, which was key for the reduction of the ratio).

The level of the Group's debts as at 31 March 2018 did not pose any risk to the Group's operation and its ability to settle liabilities in a timely manner. The Group's financial needs are subject to medium-term and long-term analyses in order to secure liquidity and cash at proper levels.

Ratio debt plus employee liabilities/EBITDA

The ratio describing debt to EBITDA at the end of Q1 2018 dropped by 10.3% to 0.61. When comparing data as at 31 March 2018 to 31 December 2017, debt fell by more than EBITDA (cumulatively for four quarters).

Ratio net debt/EBITDA

The ratio describing the relation of net debt (the total of current and non-current liabilities less cash and equivalents) to EBITDA decreased from -0.16 as at 31 December 2017 to -0.09 as at 31 March 2018. The value of net debt dropped by ca. PLN 56,000,000 and amounted to PLN -57,000,000 with EBITDA going down by ca. PLN 52,000,000 (EBITDA cumulatively for the last four quarters).

Debt to equity ratio

Debt to equity ratio as at 31 March 2018 decreased in relation to 31 December 2017 by 3.9 p.p. and was 39.4% - liabilities dropped by ca. PLN 104,000,000 (including liabilities on account of bonds - PLN 75,000,000), and equity increased by PLN 23,169,000.

Fixed capital to non-current assets ratio

The fixed capital to non-current assets ratio was 97.5% (as at 31 March 2018) compared to 96.2% (as at 31 December 2017) – in the analysed period the value of non-current assets dropped by PLN 17,836,000; fixed capitals (equity plus non-current liabilities less provisions) increased by PLN 26,000,000.



Liquidity ratios

[days]	31 Dec. 2017	31 Mar. 2018	Change
Current liquidity ratio	1.11	1.22	9.9%
Quick liquidity ratio	1.01	1.03	2.0%

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. 2017	31 Mar. 2018	Change
1. Inventory turnover ratio	$\frac{\text{average inventories}}{\text{costs of products, goods and materials sold}}$	28	23	-17.9%
2. Debtors collection rate*	$\frac{\text{average receivables}}{\text{revenue}}$	46	54	17.4%
3. Creditors payment rate**	$\frac{\text{average liabilities}}{\text{costs of products, goods and materials sold}}$	134	70	-47.8%
4. Operating cycle	1+2	74	77	4.1%
5. Cash conversion cycle	4-3	-60	7	-

* Trade and other receivables

** Trade and other liabilities

Inventory turnover ratio

The inventory turnover ratio as at 31 March 2018 dropped to 23 days, compared 31 December 2017. Disposal of inventories takes on average 5 days less.

Debtors collection ratio

The debtors collection rate (calculated on the basis of the balance-sheet item "Trade and other receivables") was 54 days (as at 31 March 2018), compared to 46 days (as at 31 December 2017). In the period under analysis, average receivables dropped by approx. PLN 600,000,000, with the revenue going down by approx. PLN 66,000,000.

Creditors payment rate

The creditors payment rate (calculated on the basis of the balance sheet item "Trade and other liabilities") in the period covered by financial information got shorter by 64 days to 70 days, compared to the end of 2017. The overstated ratio as at 31 December 2017 was a result of a reversal of the impairment loss (understating the costs of products, goods and materials sold).

Operating cycle

The operating cycle for current assets (a sum of inventory turnover and debtors collection rate) in the analysed period lengthened to 77 days. On average after 77 days, the Group's current assets are converted into cash.

Cash conversion cycle

The consequence of the above trends, the cash conversion cycle as at 31 March 2018 was 7 days.

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 Q1 2018 with the full consolidation method.

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

In Q1 2018 no material off-balance sheet items occurred.

Investments and capital investments of LW Bogdanka Group

The value of cash held by the Group as at the end of March 2018 amounted to PLN 423,129,000, out of which the funds of PLN 404,920,000 were owned by the Parent.

The amount of PLN 423,129,000 is disclosed as follows:

- PLN 112,833,000 disclosed in non-current assets,
- PLN 301,296,000 is disclosed under current assets.

The amount of PLN 112,833,000 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 301,296,000 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 283,087,000, while the funds accumulated at subsidiaries amount to PLN 18,209,000 (primarily to Łęczyńska Energetyka).





Information on financial instruments and bonds

Information on derivative financial instruments

As at 31 March 2018, the LW Bogdanka Group did not hold any open financial instruments.

Bonds

At the LW Bogdanka Group, only the Parent issued bonds. As at 31 March 2018, 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 stood at: PLN 300,000,000, of which as at 31 March 2018 PLN 225,000,000 remained outstanding. On 30 March 2018, the Parent redeemed bonds totalling PLN 75,000,000. Maturity dates of the remaining bonds are as follows:

- 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 2018.

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 providing this report,

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

These Consolidated Quarterly Report of LW Bogdanka S.A. for Q1 2018 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, except that IFRS 15 and IFRS 16 were applied for the first time as of 1 January 2018.

More information is contained in item 2 of the Consolidated Quarterly Report of the LW Bogdanka Group for the three months ended on 31 March 2018.

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

As of the date of preparing the Directors' Report on Operations of the Group for Q1 2018 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 receivables of LW Bogdanka S.A. or its Subsidiary, whose value is material from the perspective of the LW Bogdanka Group,
- two or more proceedings related to liabilities and receivables, whose value is material from the perspective of the LW Bogdanka Group,

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	-	225,000



Agreements concerning loans and borrowings

In Q1 2018 the Parent had one loan agreement in effect.

Start date	End date	Lender	Amount of loan granted [PLN '000]	Interest rate	Debt (loans) as at 31 March 2018 [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 material sureties for a credit facility or loan or granting guarantees

In the period from 1 January 2018 to 31 March 2018, neither LW Bogdanka nor its subsidiaries granted sureties for a credit facility or loan, nor did they grant guarantees jointly to a single entity or a subsidiary company of that entity worth the equivalent of at least 10% of the Parent's equity.

Transactions with related entities

In Q1 2018 the Parent and its subsidiaries did not conclude transactions with related entities which would be individually or jointly significant and would be concluded on a basis other than an arm's length basis. Information about all agreements that are significant from the point of view of the Issuer's operations is published in the form of current reports available at <http://ri.lw.com.pl/raporty-biezace>.

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 three months ended on 31 March 2018.

Guarantees received by the LW Bogdanka Group



Loan and borrowing agreements signed by Subsidiaries

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

Except for the above loan, between 1 January and 31 March 2018 Łęczyńska Energetyka sp. z o.o. did not use any third-party financing for its operations.

In Q1 2018 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

In Q1 2018 LW Bogdanka S.A. and Subsidiaries of the LW Bogdanka Group did not acquire any treasury shares of the Parent.

Changes in the shareholding structure by the date of the Report

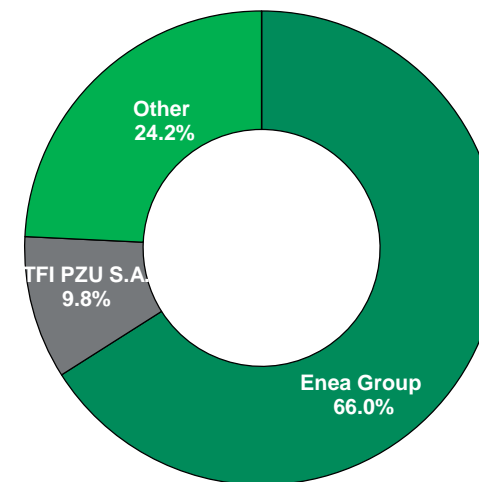
According to the information of the Parent, the Issuer's shareholding structure has not changed since the publication of the Annual Report and the Consolidated Annual Report for 2017.

Shareholding structure

The table below shows a shareholding structure of the Parent as at 23 March 2018 and as the date of publishing this Report, i.e. 24 May 2018

Shareholder	Number of shares/ number of votes at the Shareholders Meeting	Share capital interest/ interest in the total number of votes
Shareholding structure of LW Bogdanka S.A. as at 23 March 2018 and 24 May 2018		
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 24 May 2018



Participation of the LW Bogdanka's shares in indices

The Parent was first listed on the Warsaw Stock exchange on 25 June 2009. During 2017, LW Bogdanka S.A. made part of the following indices:

- WIG – includes all companies listed on the WSE Main Market that meet the baseline criteria of the participation in indices;
- 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;
- Respect Index – index of socially responsible companies.

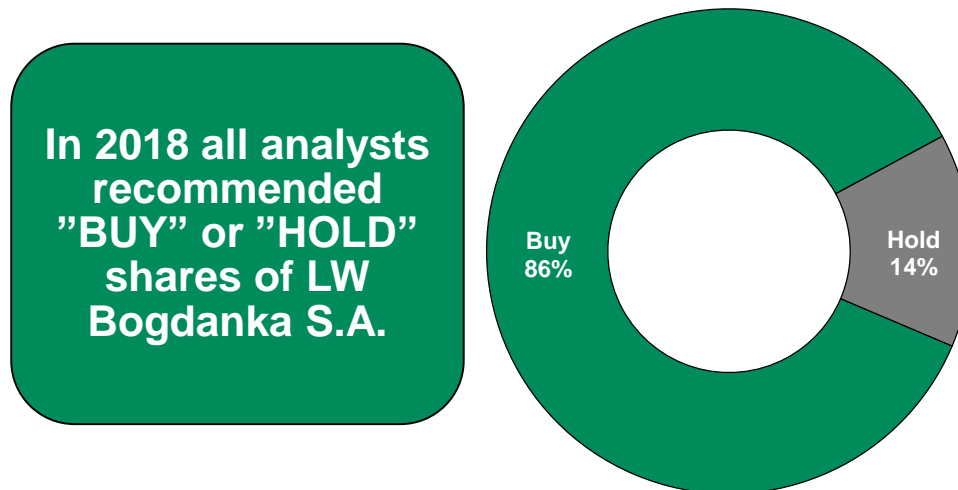
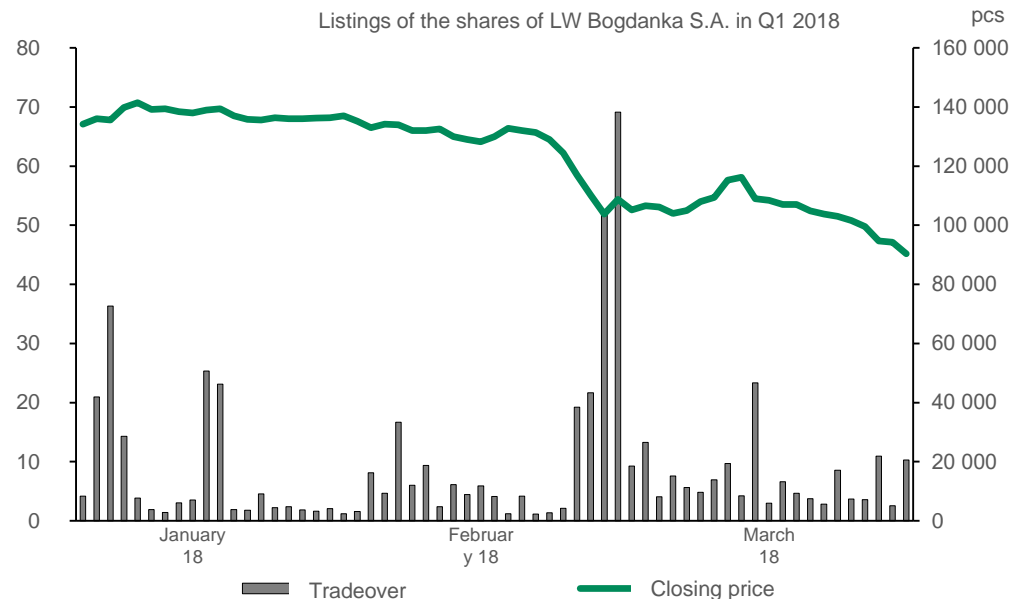
Analysts' recommendations and price performance of the shares

Participation of the Parent's shares in indices as at 24 May 2018



Analysts' recommendations issued for LW Bogdanka S.A. in 2018

Date	Institution	Recommendation	Target price	Price on the date of issue
8 January	Noble Securities	Buy	PLN 71.50	PLN 68.80
18 January	BOŚ DM	Buy	PLN 80.00	PLN 68.50
5 February	IPOPEMA Securities	Hold	PLN 72.62	PLN 67.00
1 March	IPOPEMA Securities	Buy	PLN 63.47	PLN 52.60
9 March	BZW BK	Buy	PLN 65.00	PLN 54.70
28 March	Societe Generale	Buy	PLN 53.00	PLN 47.10
17 April	BOŚ DM	Buy	PLN 70.00	PLN 49.60



Key share indicators:	Q1 2016	Q1 2017	Q1 2018
Maximum price [PLN]	42.54	83.80	70.70
Minimum price [PLN]	30.39	64.00	45.20
Last price [PLN]	38.40	76.12	46.70
Average price [PLN]	34.90	73.08	61.12
Capitalisation at end of period [PLN million]	1,306.0	2,589.1	1,588.4
Book value [PLN million]	2,164.3	2,360.6	2,905.5
Price/earnings ratio	24.0	40.4	76.0
Price/book value	0.6	1.1	0.6
Average volume per session [pcs]	60,203	25,288	18,317
Number of shares in float [no. of shares]	34,013,590	34,013,590	34,013,590

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

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

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

MANAGEMENT BOARD					
Name and surname	Number of the Company's shares as at 24 May 2018	Nominal value of the shares (PLN)	Number of the Company's shares as at 23 March 2018	Nominal value of the shares (PLN)	Number of shares in Subsidiaries
Artur Wasil	0	0	0	0	0
Stanisław Misterek	247	1,235	247	1,235	0
Adam Partyka	253	1,265	253	1,265	0
Sławomir Karlikowski	0	0	0	0	0
Marcin Kapkowski	0	0	0	0	0
SUPERVISORY BOARD					
Name and surname	Number of the Company's shares as at 24 May 2018	Nominal value of the shares (PLN)	Number of the Company's shares as at 23 March 2018	Nominal value of the shares (PLN)	Number of shares in Subsidiaries
Mirosław Kowalik	0	0	0	0	0
Szymon Jankowski	0	0	0	0	0
Przemysław Krasadomski	0	0	0	0	0
Ewa Nowaczyk	0	0	0	0	0
Kamil Patyra	0	0	0	0	0
Mariusz Romańczuk	0	0	0	0	0
Anna Szpoz	0	0	0	0	0
Michał Stopyra	0	0	0	0	0
Total	Number of the Company's shares as at 24 May 2018	Nominal value of the shares (PLN)	Number of the Company's shares as at 23 March 2018	Nominal value of the shares (PLN)	Number of shares in Subsidiaries
	500	2,500	500	2,500	0

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

Shares in related entities of the Parent

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

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

Potential changes in the shareholding structure

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

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



5. Governing bodies



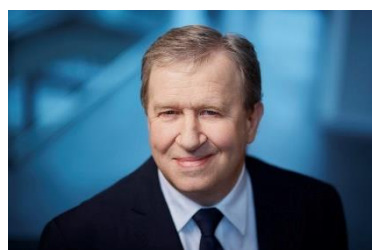
Composition of the Management Board of the Parent



Adam Partyka

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

Mr Adam Partyka obtained an M.Sc. degree from the Lublin University of Technology where he studied computer science application in engineering. He also completed post-graduate studies at the University College of Enterprise and Administration in Lublin with major in finance and accounting. He has completed a number of training courses in the following fields: audit, responsibility and competence of management personnel, finance for managers, as well as courses for members of management boards and supervisory boards of companies. He has been related to LW Bogdanka since 1985. From June 2014 he held the position of the Deputy Chairman of the "Solidarity" Trade Union. Between 2007 and 2014 he was a shift foreman responsible for electrical equipment underground. Between 2006 and 2012 he was a member of the Supervisory Board of LW Bogdanka S.A. On 1 April 2016 he became Vice-President of the Management Board, Employee and Social Affairs at LW Bogdanka S.A.



Stanisław Misterek

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

Mr Stanisław Misterek graduated from the Maria Curie-Skłodowska University in Lublin, Faculty of Economics, with an MA degree, Post-Graduate Studies on European Standards in Finance and Accounting at the Warsaw School of Economics, Post-Graduate Studies on Public Procurement at the European University of Law and Administration in Warsaw, and on International Accounting Standards / International Financial Reporting Standards at the University College of Enterprise and Administration in Lublin. He has completed many training courses on finance management and accounting. He is a professional accountant certified as a Chartered Accountant. Mr Stanisław Misterek has been related to the mining and power industry for thirty-seven years. He has maintained his ties with the Lublin Coal Basin since 1979. Since 1990 he has held key positions in the LW Bogdanka Group. During that time, he gained experience in managing a company from the mining and power industry, with particular focus on managing its financial affairs. From May 2008 to January 2016, he was responsible for the finances of Łęczynska 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.



Artur Wasil

President of the Management Board

Mr Artur Wasil graduated in 2002 from the Faculty of Mining at the AGH University of Science and Technology in Krakow, with a degree in Mining and Geology, specialising in Mining Geotechnics. In 2002 he joined Lubelski Węgiel Bogdanka S.A. where he went through the levels of professional career from a trainee to a team foreman of extraction brigade. In 2012 Mr Wasil started work at PRG Linter S.A. where he performed the role of Mining Director, and in 2014 was appointed to the position of the President of the Management Board. Mr Artur Wasil also holds a post-graduate diploma in European Project Management and EU Law obtained at the Marie Curie-Skłodowska University in Lublin. On 21 March 2018 he took the position of the President of the Management Board of LW Bogdanka S.A.



Sławomir Karlikowski

Vice-President of the Management Board, Production and Development

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. From 16 February 2018 to 20 March 2018 he took the position of the President of the Management Board of LW Bogdanka S.A. On 8 May 2018, he was appointed to the position of Vice-President of the Management Board, Production and Development.



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.



Changes in the Management Board of the Parent

Date	Event
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16 February 2018

The Supervisory Board of the Parent adopted a resolution under which Mr Krzysztof Szlaga – President of the Management Board of LW Bogdanka S.A. was dismissed from office.

The Supervisory Board of the Parent adopted a resolution on appointing Mr Sławomir Karlikowski, the Vice-President of the Management Board in charge of Production and the Head of Mining Supervision in Mining Facility, as acting President of the Management Board.

19 March 2018

The Supervisory Board of the Parent adopted a resolution on the appointment, effective as of 21 March 2018, of the President of the Management Board of LW Bogdanka S.A.

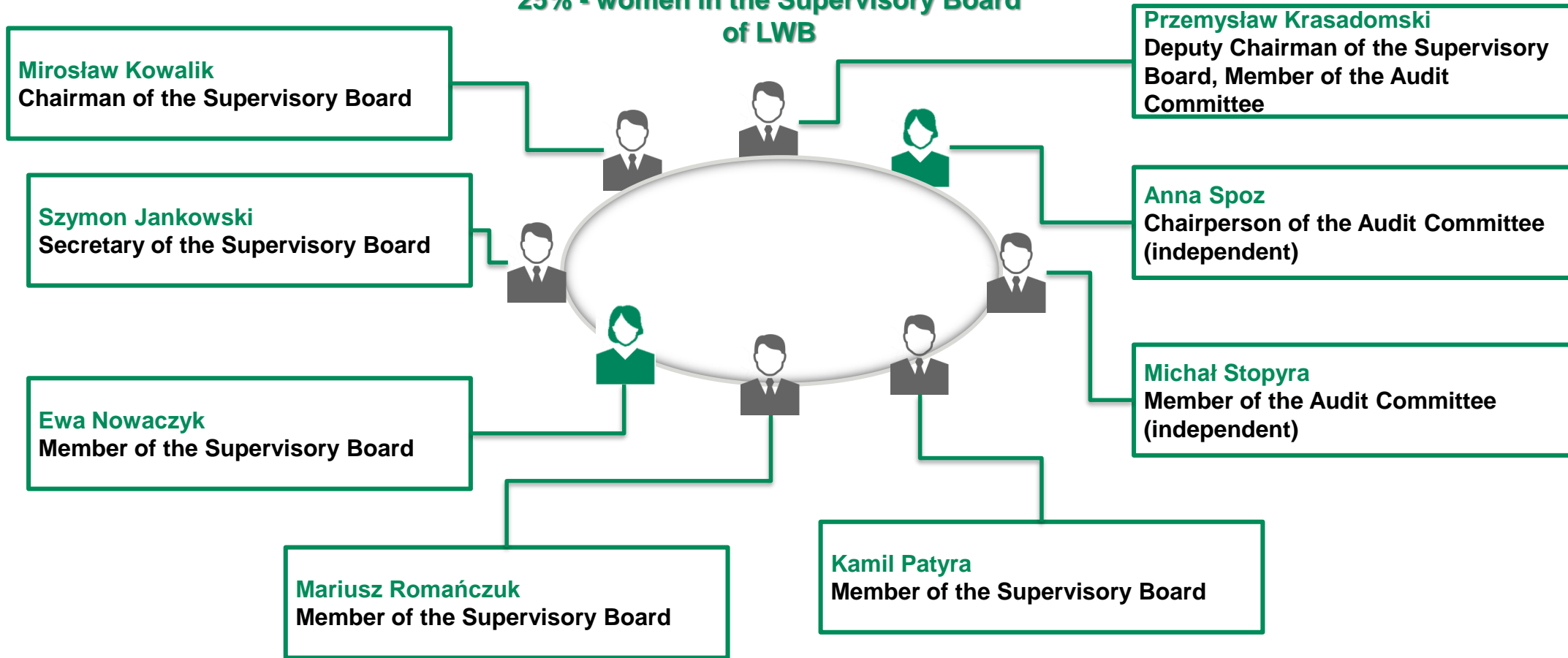




Composition of the Parent's Supervisory Board as at 24 May 2018

25% - independent members in the Supervisory Board of LWB

25% - women in the Supervisory Board of LWB





Composition of the Parent's Supervisory Board as at 24 May 2018

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.

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.

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.

Ewa Nowaczyk 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. She also completed the Post-Graduate Studies of the Polish and International Accounting Standards at the Poznań University of Economics. In 2007 she successfully completed a course for candidates for members of Supervisory Boards in State Treasury companies, and obtained the relevant diploma.

She has worked for Enea S.A. since 2003, starting at the Finance Department. Ewa Nowaczyk is currently employed with Enea Centrum sp. z o.o. as an Advisor to the Director of the Financial and Accounting Department. She has experience in supervising companies - she has seated in Supervisory Boards in such companies as Energetyka Poznańska Zakład Transportu sp. z o.o., Szpital Uzdrawiskowy ENERGETYK sp. z o.o.

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.

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.

Anna Spoz graduated from Nicolaus Copernicus University in Torun. She has an MA in Management and Marketing from the Faculty of Economics and Management. She obtained her PhD in economics at the Faculty of Economics of Marie Curie Skłodowska University (UMCS) in Lublin. She completed postgraduate studies at UMCS and participated in numerous courses and conferences in the fields of accounting, finance and tax law. She completed a training course for candidates for chief accountants organised by the Accountants Association in Poland, Regional Branch in Torun.

Since 2002, she has been with POLTOR Sp. z o.o., at present as Finance Director. Since 2013, she has been a lecturer at the John Paul II Catholic University of Lublin. She has many years of experience in accounting, taxes, finance and management. She is the author of publications in the areas of management (with a particular focus on company restructuring), corporate finance and financial accounting under both Polish IAS and IFRS.

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.



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
- **Fairness opinion** – a report from the valuation of a business, a statement certifying that the price of a given transaction is fair
- **GRI** – Global Reporting Initiative
- **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
- **SIN** – Non-Financial Information Standard
- **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

Artur Wasil	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	Vice-President of the Management Board, Production and Development
Marcin Kapkowski	Vice-President of the Management Board, Procurement and Investments

Bogdanka, 23 May 2018



Thank you!