



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

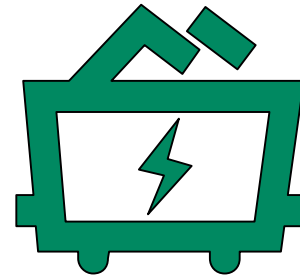


Bogdanka, 23 November 2018



15.0%

Share in the hard coal market in Poland



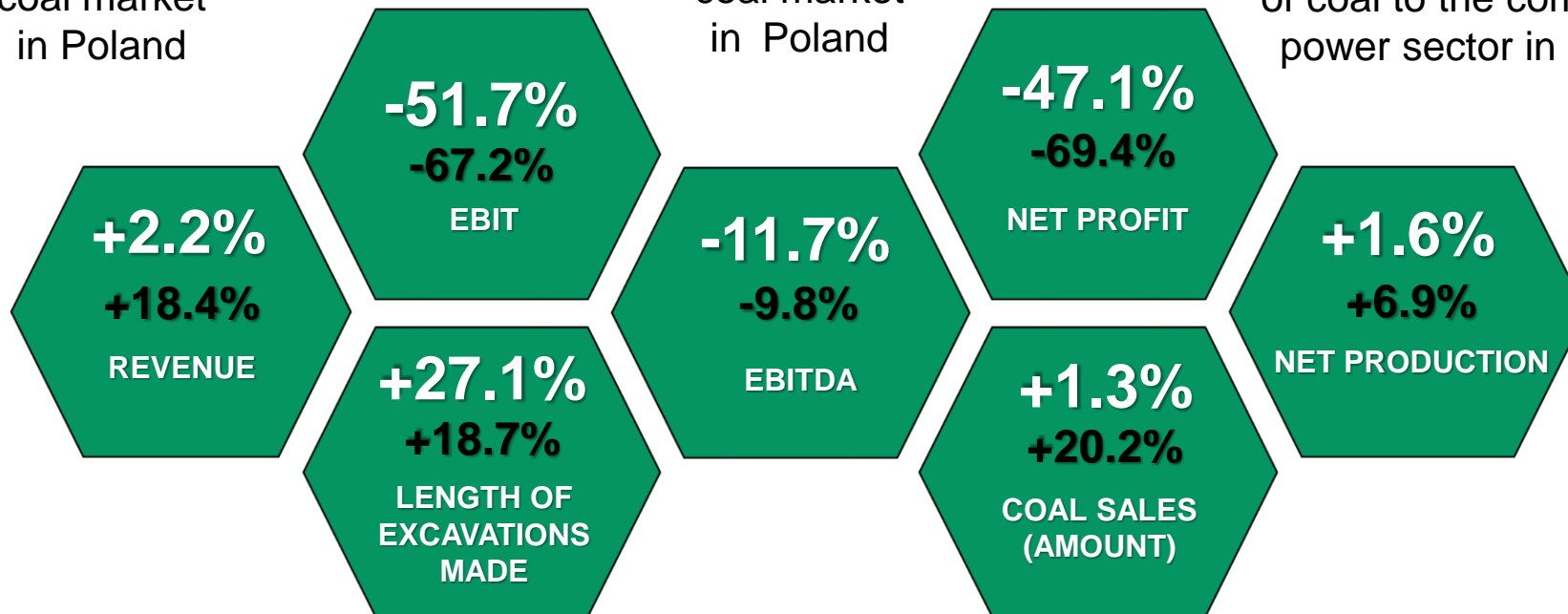
19.0%

Share in the thermal coal market in Poland



25.4%

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



□ Change Q1-Q3 2018/ Q1-Q3 2017

■ Change in Q3 2018/ Q3 2017



1. Summary of operational activities



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Financial and operating results in three quarters of 2018, were achieved due to completion of production assumptions with an increase of gross extraction by more than 1 million tonnes y/y.

In the first three quarters of 2018, the LW Bogdanka Group generated:

- net revenue of **PLN 1,335.6 million – increase by 2.2% y/y**
- EBITDA of **PLN 399.4 million – decrease by 11.7% y/y**
- net profit of **PLN 76.0 million – decrease by 47.1% y/y**

In Q3 2018, the LW Bogdanka Group generated:

- net revenue of **PLN 479.7 million – increase by 18.4% y/y**
- EBITDA of **PLN 120.8 million – decrease by 9.8% y/y**
- net profit of **PLN 9.7 million – decrease by 69.4% y/y**

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

<ul style="list-style-type: none"> • high level of production and sales in Q3 2018 • increase in prices of thermal coal (y/y) on the market 	<ul style="list-style-type: none"> • higher costs of outsourced services and materials and energy in Q1-Q3 2018 • low output in Q3 2018

the LW Bogdanka Group improved **the ratio of debt plus employee liabilities/EBITDA by almost 26.5%** from the level of **0.68 to the level of 0.50**, which is related to an improvement of the Group's cash situation and the optimisation of capital expenditure.

In Q1-Q3 2018, in comparison to the same period of 2017, the Group retained and even slightly increased the level of production of thermal coal (+1.6% y/y). In order to achieve the above level of production, considering the difficulties encountered by the Company in Q1 2018, the Company had to increase its use of outsourced services and incur higher expenditure for materials and energy. The Group sustains its declared production plan for 2018 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 three quarters of 2018

Lubelski Węgiel Bogdanka Spółka Akcyjna

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Industry ID No. (REGON): 430309210
Tax Reg. No. (NIP): 713-000-57-84
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Legal form and regulations which provide a basis for the Parent's activities

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

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

- Act of 15 September 2000 – Commercial Companies Code (Dz. U. [Journal of Laws] of 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 three quarters of 2018 and events until the publication date

Q1 2018

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 amount to 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 salaries 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 worked in LW Bogdanka S.A. from 2002 until the end of 2011. 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.

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.



Basic information and key events in three quarters of 2018

Q2 2018

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. On 18 May 2018, the Supervisory Board of LW Bogdanka S.A. positively assessed the proposal of the Management Board.



Q3 2018 and events until the publication date

The Annual General Shareholders Meeting of LW Bogdanka S.A.

The Annual General Shareholders Meeting of LW Bogdanka S.A. adopted a resolution pursuant to which the net profit generated by the Parent in 2017 in the amount of PLN 673,281,183.53 was allocated to the reserve capital.

All persons representing LW Bogdanka S.A. (Management Board and Supervisory Board Members) in 2017 were granted discharge in respect of their duties.

Redemption of Bonds by a Bank under a Bond Issue Programme

On 2 July 2018 the Parent redeemed 750 series BOGD01 300618 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. Bonds were redeemed in a timely manner.

Conclusion of an Annex to the Long-term Agreement with ENEA Wytwarzanie Sp. z o.o.

On 11 September 2018, the Parent concluded an Annex to Long-Term Agreement No. UW/LW/01/2012 with ENEA Wytwarzanie Sp. z o.o. with registered office in Świerże Górne.

As a result of concluding the Annex, the value of the entire Long-Term Agreement in 2017-2036 currently amounts to PLN 16.439 million; to note, in 2017-2025 the value of the Long-Term Agreement will be PLN 10.459 million.

Dismissal of Management Board members of LW Bogdanka S.A.

On 19 September 2018 the Supervisory Board acting under Article 17.1.9) of the Company's Articles of Association, adopted the resolution on dismissal the following persons, effective as at the day of adopting the resolution:

- Mr Stanisław Misterek – from the position of Vice-President of the Management Board responsible for Economic and Financial Affairs,
- Mr Sławomir Karlikowski – from the position of President of the Management Board responsible for Production and Development.

Redemption of Bonds under a Bond Issue Programme

On 1 October 2018 the Parent redeemed 750 series bonds, with a par value of PLN 100,000 each, issued under the bond issue programme, with a contractual redemption date falling on 30 September 2018 (Sunday). The bond issue programme was established based on an agreement concluded with Bank PKO S.A. on 23 September 2013.

Appointment of new members of the Management Board of LW Bogdanka S.A.

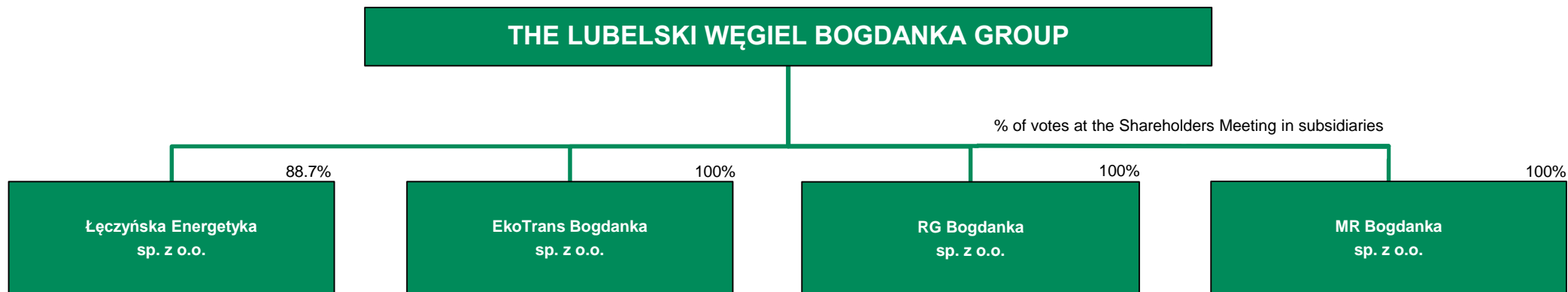
On 4 October 2018, the Company's Supervisory Board adopted resolutions on:

- Appointment of Mr Artur Wasilewski to the position of Vice-President of the Management Board responsible for Economic and Financial Affairs as from 8 October 2018,
- Appointment of Mr Dariusz Dumkiewicz to the position of Vice-President of the Management Board responsible for Development as from 15 October 2018.

Concluding an annex to the agreement with Grupa Azoty Zakłady Azotowe Puławy S.A.

On 19 November 2018 the Parent signed an Annex to the Long-Term Agreement for the sale of thermal coal with Grupa Azoty Zakłady Azotowe Puławy S.A. As a result of the Annex, the price of supplies for 2019 has been agreed upon, and the term of the Agreement has been extended until 31 December 2023.





Company name	Parent's share in the share capital		Share capital	Main activity
	30 Jun. 2018	30 Sep. 2018 and 23 Nov. 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. with a share capital of PLN 750,000 (bankruptcy proceedings discontinued, the company does not conduct operations). The ownership title to the shares was transferred to the Parent as security for financial settlements for the provision of transport services. That company has not been included in the consolidation.

Changes in the structure of the LW Bogdanka Group

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



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 and is 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 (in nominal terms) 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 (in nominal terms) 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).

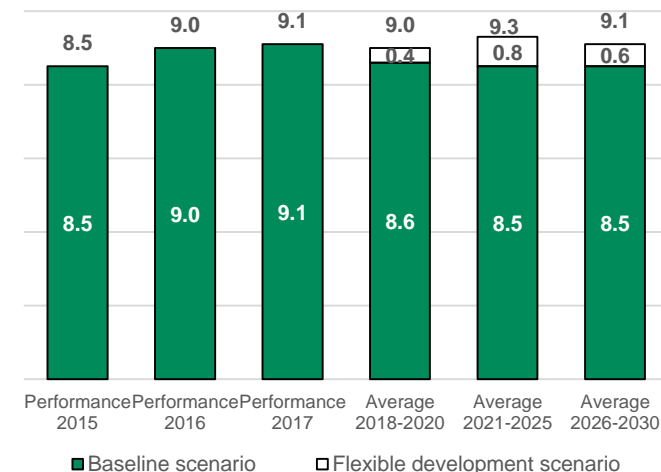
The Parent assumes that it will strengthen its market position by achieving at least a 25% share in the market of fine thermal coal for commercial power plants as well as its financial position by a further reduction in the UMCC by 10% in real terms by 2025, compared to 2015.

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 three quarters of 2018

The plan for the three quarters 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 18,761,000 was assigned for the renovation of a scraper conveyor and modernisation of Bevex suspended locomotives, renovation of the longwall coal-cutting machine, renovation of a wall conveyor and a wall bottom conveyor, periodical wagon repairs.

Purchases of machines and devices subject to assembly – PLN 9,867,000 was spent for the purchase of finished goods (including WPT type hydraulic hoists, pump sets, ventilation sets for long galleries), and PLN 9,403,000 for the purchase and assembly of cooling equipment, suspended diesel locomotives, track mining locomotives, belt conveyors etc.

Other development investments

Development of the mining waste treatment facility in Bogdanka – PLN 4,294,000 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 3,622,000 was assigned for modernisation of steel structures, modernisation of stone loading unit and installation of electromagnetic separators.

Power, telecommunications and mechanical installations – PLN 3,584,000 for the expansion of the power engineering networks.

Construction and modernisation of facilities and installations – PLN 423,000 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

Natural environment protection – PLN 2,855,000 was spent under an agreement for mine water discharge.

Capital expenditure for excavations incurred by the Parent in three quarters of 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	22,376	87,690	213,154	125,464
Basic excavations	linear	3,184	-	66,967	66,967
Modernizations and developments of mining workings	linear / natural	1,355	-	38,727	38,727
Cross-cuts	-	1,651	-	-	-

Selected items of capital expenditure in the LW Bogdanka Group

[PLN '000]	PTE 2018	Performed Q1-Q3 2018	Performed Q1-Q3 2018 [%]
New excavations and upgrades of existing ones	291,365	231,158	79.3%
Maintenance of machinery	142,890	38,057	26.6%
Obtaining new licences	3,900	169	4.3%
Ostrów Field	645	184	28.5%
Longwalls	40	0	0.0%
Other development investments	28,021	15,650	55.9%
ICT	6,957	1,879	27.0%
Administration	60	48	80.0%
Transport	170	166	97.6%
Other	11,322	3,897	34.4%
TOTAL CAPEX in LW Bogdanka S.A.	485,370	291,208	60.0%
Łęczyńska Energetyka sp. z o.o.	9,500	4,437	46.7%
Other subsidiaries	1,142	409	35.8%
TOTAL CAPEX AT THE LW BOGDANKA GROUP	496,012	296,054	59.7%

The above amount of capital expenditure includes capitalised borrowing costs of PLN 3,669,000.



Thermal coal prices

Situation on the international market

CIF ARA coal prices:

- The average coal price in Q3 2018 was USD 99.49/t, and was higher by 15.3% than the average price in Q3 2017 (USD 86.28/t) and higher by 10.9% than the average price in Q2 2018 (USD 89.75/t).

Inventories in ARA ports:

- 5.9 million tonnes of inventories as at the end of September 2018 - more by 3.5% compared to the end of June 2018 (5.7 million tonnes).

FOB BP coal prices:

- The average coal price in Q3 2018 was USD 94.18/t, and was higher by 16.8% than the average price in Q3 2017 (USD 80.62/t) and higher by 12.5% than the average price in Q2 2018 (USD 83.71/t).

China:

- Production of coal in Q1-Q3 2018 was 2.6 million tonnes +5.1 y/y.
- Imports in Q1-Q3 2018 was 229.0 million tonnes and was higher by 11.8% y/y.

USA:

- Production of coal in Q3 2018 was 178.1 million tonnes (+0.1% y/y), in Q1-Q3 2018, 512.3 million tonnes coal were produced (-2.7% y/y).
- Consumption of coal in Q3 2018 was 184.3 million tonnes (-0.4% y/y), in Q1-Q3 2018, 478.7 million tonnes coal were produced (-3.4% y/y).
- Exports in Q3 2018 were 24.2 million tonnes, i.e. up by 8.4% y/y.

Russia:

- Production of coal in Q1-Q3 2018 was 316.9 million tonnes (+5.7 y/y).
- Coal exports in Q1-Q3 2018 increased by 3.8% y/y and amounted to 144.0 million tonnes.
- Exports of Russian coal to Poland in Q1-Q3 2018 were 9.8 million tonnes, which represents an increase by 78.2% compared to Q3 2017 (5.5 million tonnes).

Prices on the domestic market

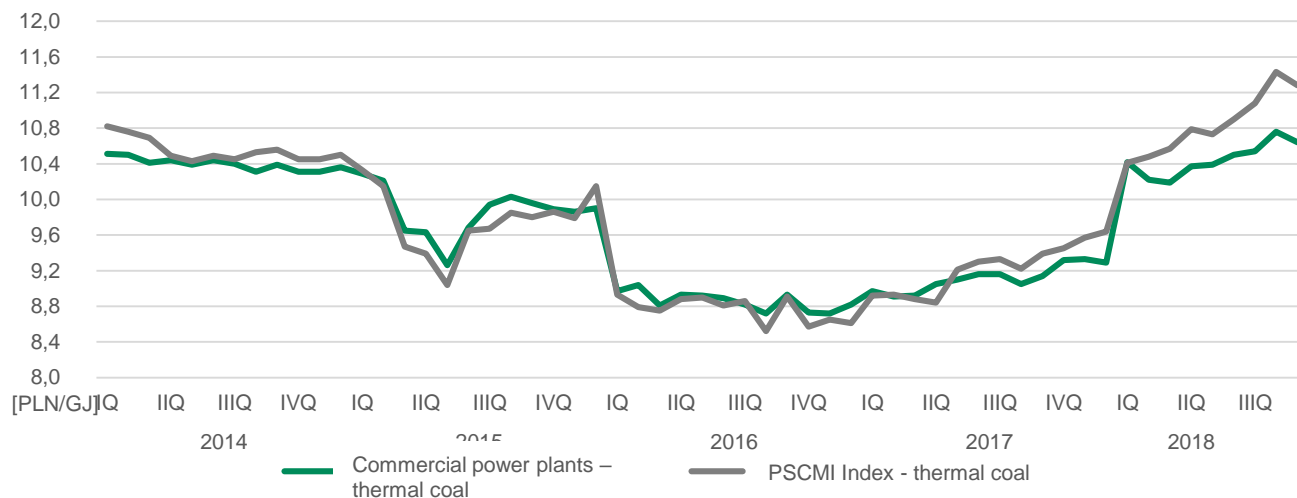
Fine thermal coal prices:

- In Q3 2018, the average price for commercial power plants was PLN 10.65/GJ, and comparing to Q2 2018 (PLN 10.42/GJ) the price went up by 2.2%.
- Dynamics of increases in average prices, comparing Q3 2018 to Q3 2017 (PLN 9.12/GJ), was 16.8%.
- Average heating value of fine coal for commercial power plants was about 21.6 GJ /tonne.

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

PSCMI Index:

- In Q3 2018, the average price based on the PSCMI index was PLN 11.26/GJ. Compared to Q2 2018 the price increased by 4.2%, comparing to Q3 2017 the PSCMI index price increased by 20.9%.





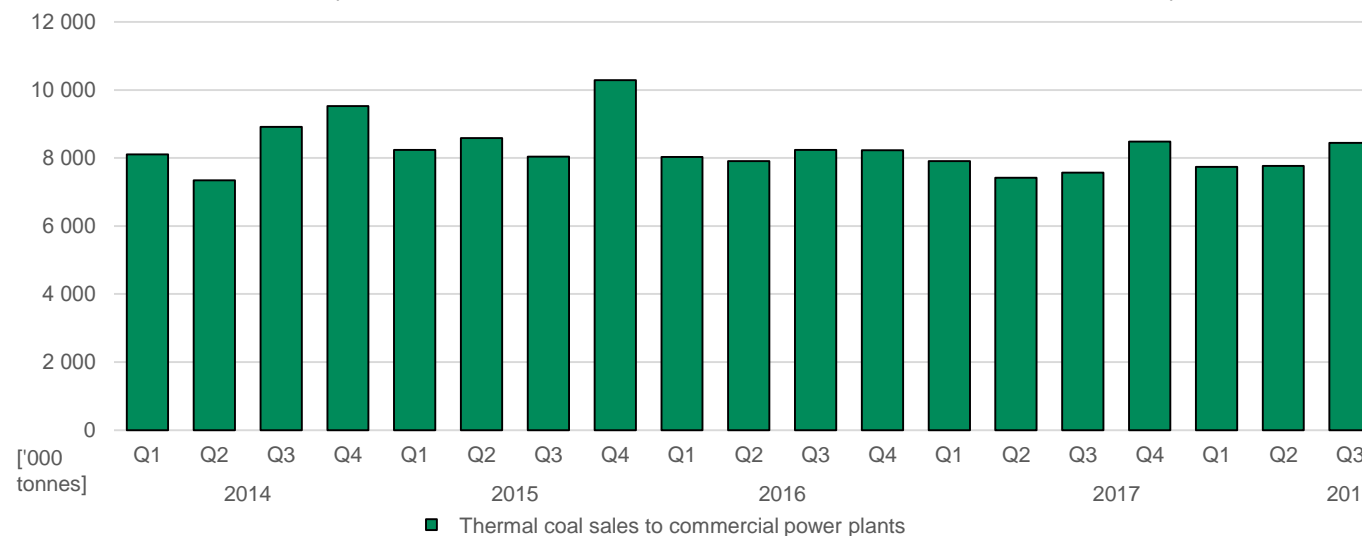
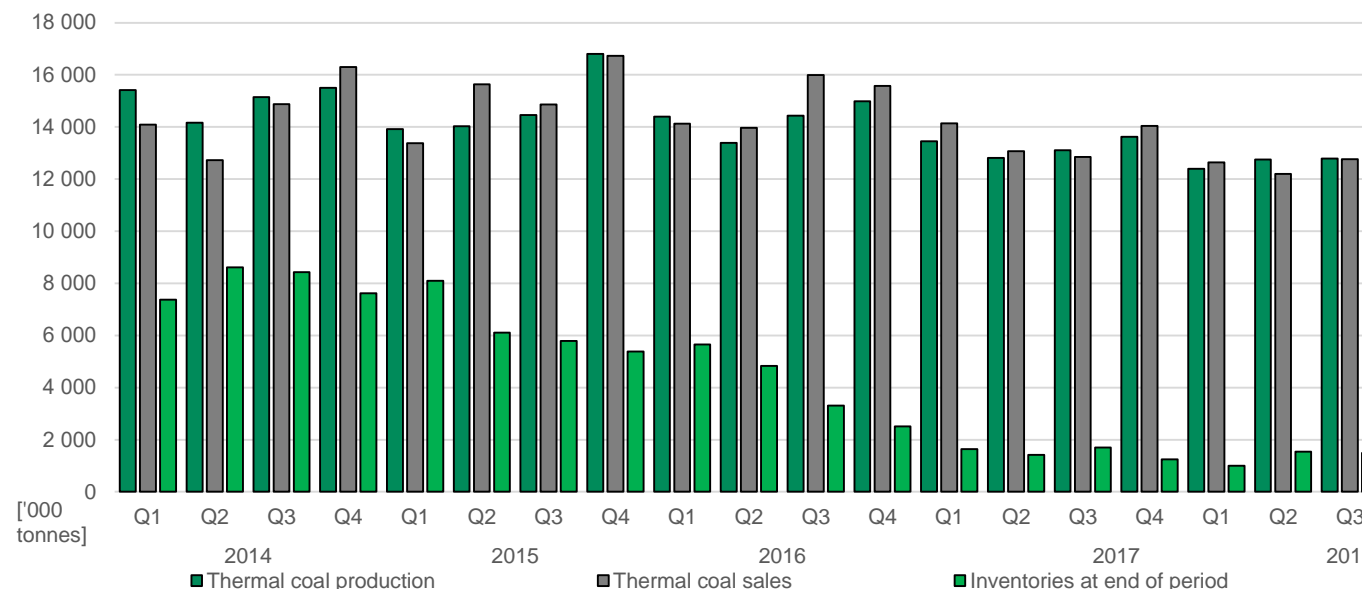
Production, sales and inventories of thermal coal in the domestic market

Situation in Poland:

- thermal coal production in Q3 2018 was 12.8 million tonnes, which represents a decrease by 2.3% compared to the same period of 2017 (13.1 million tonnes).
- thermal coal sales in Q3 2018 were almost 12.8 million tonnes, which is equal to the amount of Q3 2017.
- inventories of thermal coal sales as at the end of September 2018 were 1.5 million tonnes, which in comparison to Q3 2017 represents a decrease by 11.8% (1.7 million tonnes).
- exports of thermal coal sales in Q3 2018 amounted to 0.3 million tonnes and were lower by 62.5% (0.8 million tonnes) compared to the same period of the previous year.
- imports of thermal coal sales in Q3 2018 were 4.3 million tonnes, which is an increase by 43.3% compared to Q3 2017 (3.0 million tonnes), in three quarters imports of thermal coal sales totalled 11.8 million tonnes and were higher by 90.3% (6.2 million tonnes) compared to the same period of the previous year.

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

- in Q3 2018, 8.4 million tonnes were sold to commercial power plants
- this is about 0.8 million tonnes more than in the same period of 2017 (up by 10.5%).



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



Electricity generation in Poland

Electricity generation - total

- In three quarters of 2018, the production of electricity totalled about 121,875 GWh, which represents a decrease of 762 GWh (-0.6%) versus three quarters of 2017.

Power generation from coal

- Coal was the main fuel used to produce electricity. In three quarters of 2018 it was used to produce 97,506 GWh. This means a decrease by 1,791 GWh (-1.8%) compared to the same period of 2017.
- In three quarters of 2018 coal accounted for 80% of total electricity production in Poland, but its share in the fuel mix went down by 1.0 p.p. in comparison with three quarters of 2017.

Power generation from hard coal

- Hard coal served for producing electricity of 60,494 GWh (up by 1.8% y/y)
- After several years of drops, hard coal share increased in the fuel mix components. And in three quarters of 2018 its share was, with regard to the whole electricity production, 49.6%.

Power generation from lignite

- Lignite was used to produce 37,012 GWh of electricity (7.1% less than in three quarters of 2017).

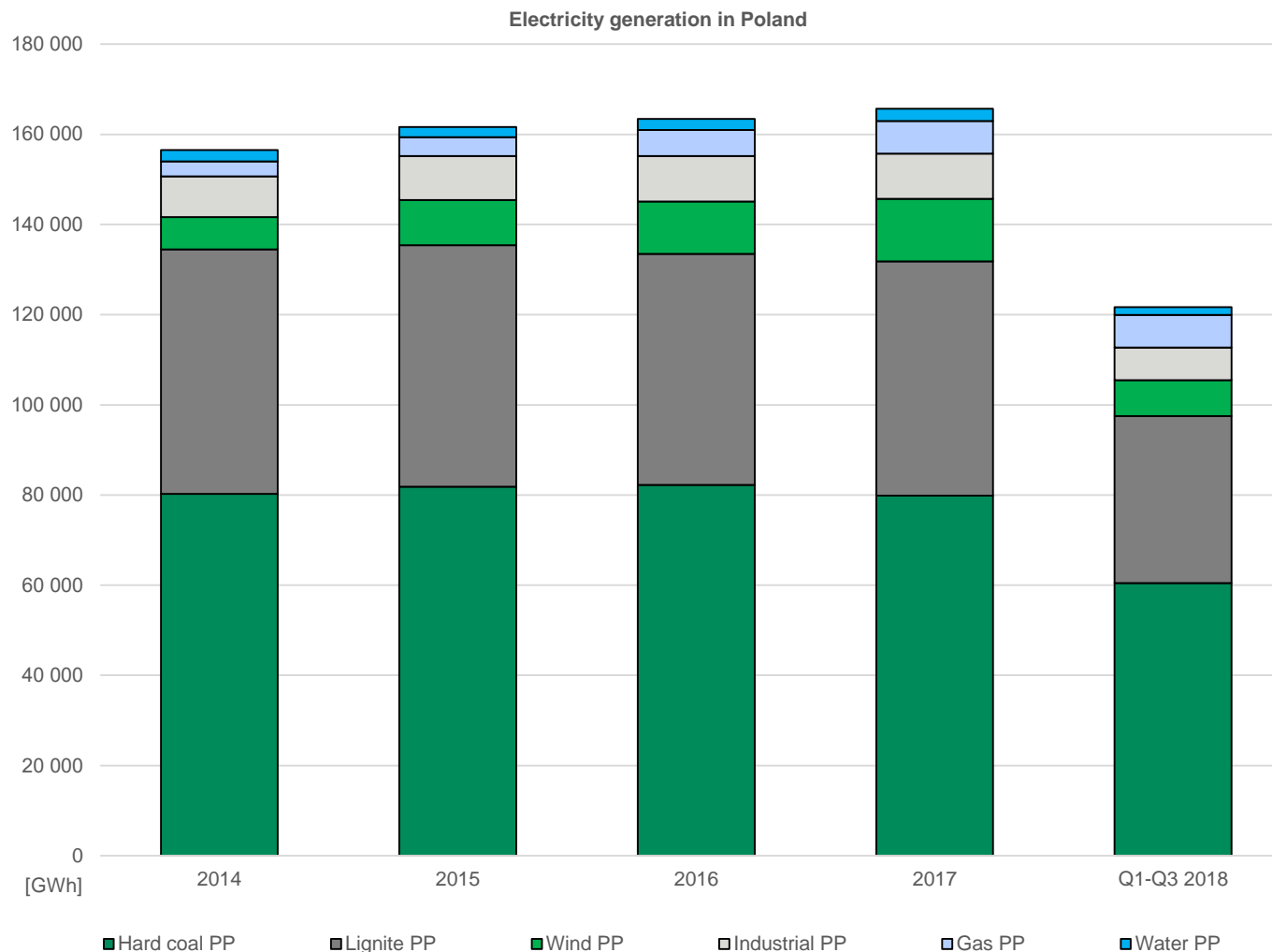
Power generation by wind farms

- Wind farms produced 7,983 GWh of electricity, which represents a decrease of almost 13.5% in comparison with Q1-Q3 2017. Wind made up about 6.6% of electricity production.

Power generation by gas-fired power stations

- Gas power plants produced 7,212 GWh of electricity, which was an increase of almost 50.8% compared to Q1-Q3 2017. Production of energy in gas power plants achieved the highest growth dynamics y/y. Gas made up about 5.9% of electricity production.

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 (the fourth) quarter.

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

Plans of the Ministry of Economy concerning enterprises operating in the hard coal mining and power engineering sector have a significant influence on the market position of the LW Bogdanka Group. On 23 January 2018, a "Polish Hard Coal Mining Programme" was adopted, covering the period until 2030. It assumes that the Polish economy will be based on hard coal and will consume – depending on the adopted scenario – from 56.5 to as much as 86 million tonnes of had coal. These assumptions give a positive sales perspective, which thus means retaining the production level by the Group. Regardless of the above, one should not forget about a possible change in approach to mining in Poland. Such an approach may result both from a change in internal conditions and from environmental protection requirements imposed by international institutions.

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

The levels of prices of raw materials for power production are mainly affected by thermal coal prices and raw materials alternative to thermal coal (crude oil, natural gas, renewable sources) on global markets, and consequently, on the domestic market. This is of key significance for the activities conducted by the Group, and especially by the Parent. 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.

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:

- reduce the assumed level of extraction of hard coal, and therefore decrease future financial results of the LW Bogdanka Group.

As a result of measures taken so far by the Parent, in November 2017 a mining licence was obtained for the "Ostrów" area, which allowed the held resources to be increased nearly two-fold and ensured raw materials base for the following years of the mine's operations. Concurrently the Company strives to further secure resources located in the vicinity of the areas where it conducts mining activities - on 11 May 2018 it resubmitted an application for mining licence in the K-6, K-7 area.

Technical and technological factors

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

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 70% 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 operating activities conducted by the LW Bogdanka Group.

Risk of difficulties in supplies performed through rail transport

Since mid-2017 a comprehensive modernisation of railway line No. 7 (sections Lublin – Puławy and Dęblin – Pilawa) has been underway; therefore the recipients of the Parent's coal will be forced to use alternative railway routes. While line No. 7 is closed, the rail transport is directed mainly via line No. 30 and lines Nos. 66 and 69). The change of the routes and the necessity to use diesel rail vehicles for the transport will result in lengthening the delivery times thus adversely affecting the logistics processes.

According to the press release issued by PKP Polskie Linie Kolejowe S.A., on 2 October 2018 the company demanded the contractor, Astaldi S.p.A together with consortium members, to resume works under the contract for modernisation of railway line No. 7 in the Dęblin – Lublin section, which was related to the earlier withdrawal of the contractor from these works. Astaldi S.p.A and consortium members however failed to resume works under the abovementioned contract following the demand made on 2 October 2018, therefore on 5 October 2018 PKP Polskie Linie Kolejowe S.A. made a statement on withdrawal from the contract for the reasons attributable to consortium members. PKP Polskie Linie Kolejowe S.A., as it says in the press release, is now in the process of analysing the most effective terms in order to continue works under the contract for modernisation of railway line No. 7 as soon as possible.

Workforce changes

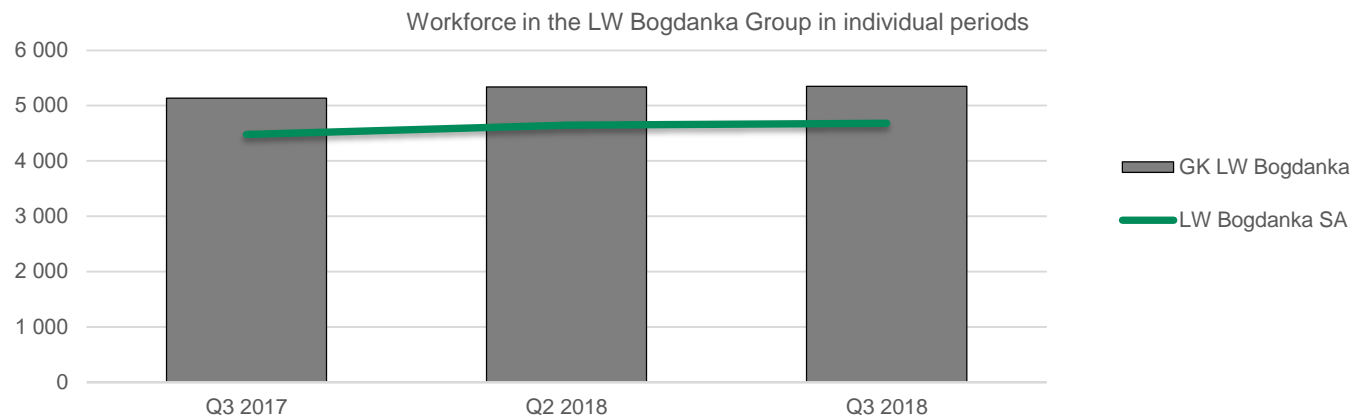
Workforce at the Group

At the end of the Q3 2018, employment at the Group increased by 214.4 FTJs, i.e. by 4.2% compared to the level of employment at the end of Q3 2017. Comparing the workforce at the end of H1 2018 to the level of employment at the end of Q3 2018, it has increased by 10.8 FTJs.

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

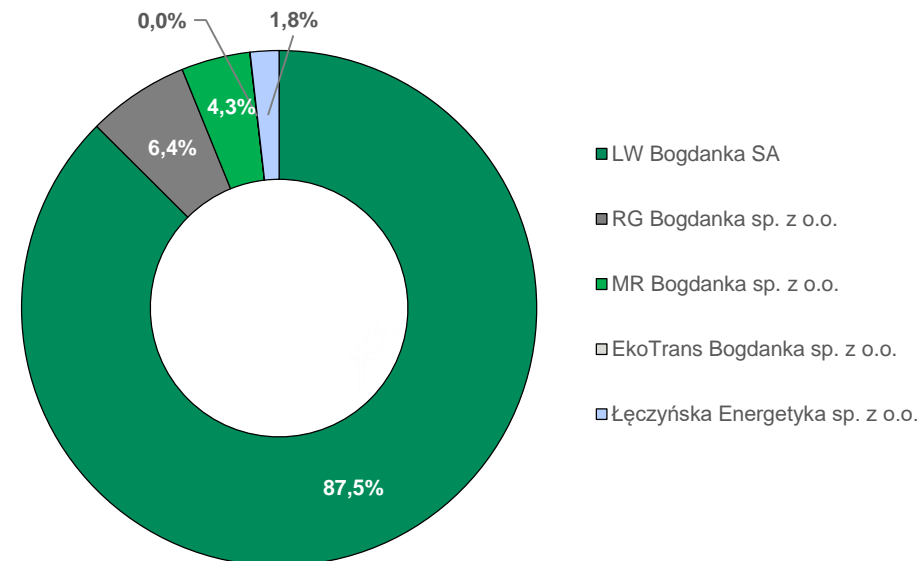
Workforce of the Parent

In Q3 2018, 85 employees were hired to LW BOGDANKA S.A., while 47 employees left the Company.



Workforce	30 Sep. 2017	30 Jun. 2018	30 Sep. 2018	Workforce structure at the Group	Change Q3 2018 / Q3 2017	Change Q3 2018 / Q2 2018
Workforce at the Group calculated per FTJs						
Total workers	3,845.0	3,997.0	4,018.0	-	4.5%	0.5%
Underground workers	2,908.0	3,057.0	3,071.0	-	5.6%	0.5%
Surface workers	937.0	940.0	947.0	-	1.1%	0.7%
Full-time employees underground	315.0	326.0	356.0	-	13.0%	9.2%
Full-time employees on the surface	320.2	322.2	307.0	-	-4.1%	-4.7%
Total underground	3,223.0	3,383.0	3,427.0	-	6.3%	1.3%
LW Bogdanka S.A.	4,480.2	4,645.2	4,681.0	87.5%	4.5%	0.8%
RG Bogdanka sp. z o.o.	334.1	369.1	342.0	6.4%	2.4%	-7.3%
MR Bogdanka sp. z o.o.	222.8	229.6	231.2	4.3%	3.8%	0.7%
EkoTrans Bogdanka sp. z o.o.	2.0	1.0	1.0	0.0%	-50.0%	0.0%
Łęczyńska Energetyka sp. z o.o.	98.2	96.0	96.5	1.8%	-1.7%	0.5%
LW Bogdanka Group	5,137.3	5,340.9	5,351.7	100%	4.2%	0.2%

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 2018-2021". In a nutshell, the approach to social responsibility management can be defined as follows: "The highest level of workforce safety, protection of local community and natural environment. Sustainable development, based on a dialog with Stakeholders and growth in value of the Company". Actions undertaken within the Strategy correspond to the following four priorities:

- Ensure the highest work safety level,
- Limit the impact of operations on the safety of local natural environment,
- Ensure safety and stimulate development of 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 - dialog sessions with trade unions;
- environment;
- fair operating practices;
- consumer-related issues;
- social involvement and development of the local community.



Management approach

The LW Bogdanka Group's operations are based on an integrated system compliant with the following standards: PN-EN IS 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 9001:2015, PN-EN ISO 14001:2015, PN-N-18001:2004. In addition, the occupational health and safety management system is compliant with British standard BS OHSAS 18001:2007. The compliance with the standards was confirmed in May 2018 during an audit of the Integrated Management System.

Integrated Report for 2017



The Company has published the Integrated Report of the LW Bogdanka Group for 2017. As in previous years, the Integrated Report has been developed on the basis of the international reporting standard GRI, and this time it was GRI STANDARDS in the *core* option, with the use of The International Integrated Reporting <IR> Framework. The Report also included the indicators related to the completion of the UN's Sustainable Development Goals.

Ethics as component of the organisational culture



"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. Actions undertaken so far include publishing the Anti-Mobbing and Anti-Discrimination Guidelines for the LW Bogdanka Group in 2018 and creating the Code of Ethics for subsidiaries.

Close to nature



In addition to activities related to meeting legal requirements as regards the protection of natural undertakes other pro-environmental initiatives. Together with the Polish Society for the Protection of Birds (OTOP), it created and manages the "Nadrybie" educational path, outlined around the Nadrybie Reservoir. The "Nadrybie" path is located within the Łęczna Lake District Landscape Park, in an area with particular natural value which is protected by the Natura 2000 network.

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

In the third quarter the Company established a partnership with OTOP to pursue a project for strengthening south-eastern metapopulation of aquatic warbler by reshaping habitat conditions, appropriate for the birds, on previously inhabited areas or areas where this species may occur. This is yet another pro-environmental activity undertaken by the Company to support biodiversity within the territory of its operations and thus follow the CSR strategy.

The above will result in improving migration corridors of metapopulation of aquatic warbler in the Lublin province, creating and retaining the system of stepping stone habitats between the areas inhabited by the aquatic warbler and reinforcing main wildlife corridors, i.e. south-central and eastern ones.

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

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).



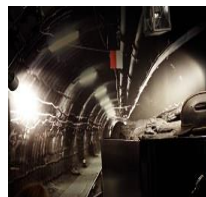
Positive Twist – a continuing campaign involving collection of screw-on bottle caps for the children and youth from the Little Prince Hospice in Lublin. In Q1 2018 several hundred kilogrammes of plastic bottle caps were collected.

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.

Awards and accolades



High position in the Responsible Companies Ranking (9th place in Poland, the best among all mining companies)



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



Coal production and sales

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

The LW Bogdanka Group monitors on an ongoing basis the level of costs, ratios and the level of accumulated cash. The current agreements (ensuring access to the bond market, overdrafts and loans) together with the cash at disposal are more than enough to meet the ongoing financing needs.

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

The LW Bogdanka Group pays its liabilities when due. The Group effectively manages its financial resources and, at the same time, deposits free funds with banks (for durations and in amounts determined on the basis of in-house short-term financial forecasts). As at the date of drawing this information, the Group sees no threats that could deteriorate its ability to pay its liabilities in the future.

Production, sales and inventories of coal

In Q3 2018, the production of commercial coal in the Parent increased by 6.9% compared to the same period of 2017 and amounted to 2,302,000 tonnes. In the period from January to September 2018, the production of commercial coal was 6,820,000 tonnes, i.e. it was more by 1.6% than in the same period of 2017.

Gross coal extraction and net production of the Parent

['000 tonnes]	Q3 2017	Q3 2018	Change	Change %
Gross coal extraction	3,451	3,727	276	8.0%
Production of commercial coal	2,154	2,302	148	6.9%
Yield (%)	62.4%	61.8%	-0.6 p.p.	-

['000 tonnes]	Q1-Q3 2017	Q1-Q3 2018	Change	Change %
Gross coal extraction	10,208	11,312	1,104	10.8%
Production of commercial coal	6,712	6,820	108	1.6%
Yield (%)	65.8%	60.3%	-5.5 p.p.	-

Structure of commercial coal production by the Parent

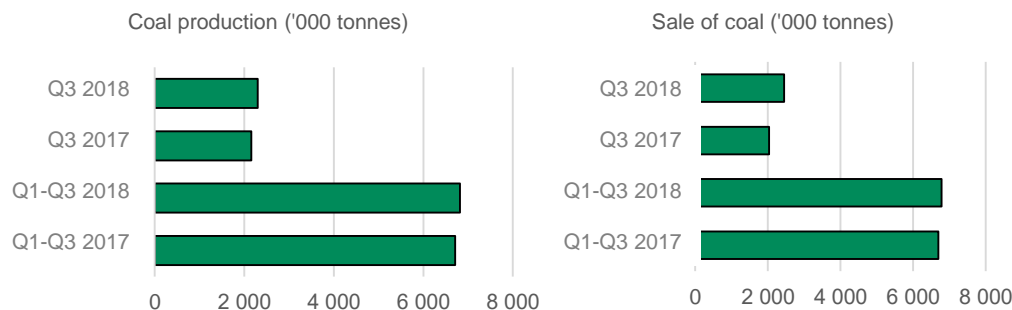
[%]	Q3 2017	Q3 2018	Q1-Q3 2017	Q1-Q3 2018
Fine coal	97.3%	98.3%	98.0%	98.8%
Nut coal	1.3%	0.4%	0.8%	0.2%
Pea coal	1.4%	1.3%	1.2%	1.0%
Total	100.0%	100.0%	100.0%	100.0%

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

['000 tonnes]	Q3 2017	Q3 2018	Change	Change %
Sale of commercial coal	2,036	2,447	411	20.2%

['000 tonnes]	Q1-Q3 2017	Q1-Q3 2018	Change	Change %
Sale of commercial coal	6,698	6,788	90	1.3%

In Q3 2018, the sales of coal grew by 20.2% compared to Q3 2017. In the period from January to September 2018, the sales of commercial coal amounted to 6,788,000 tonnes, i.e. more by 1.3% than in the same period of 2017.





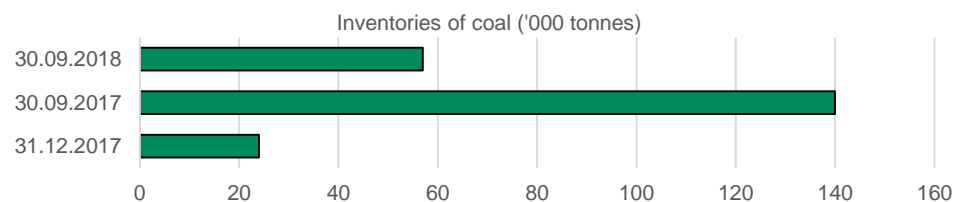
Inventories of coal, revenue and key customers

Inventories

As at the end of Q3 2018, the inventories of coal at the Parent amounted to 57,000 tonnes which means an increase by 33,000 tonnes, i.e. by 137.5%, compared to 31 December 2017. The level of coal inventories as presented for the end of Q3 2018 corresponds to approx. two days of commercial coal production (on the basis of an average 9-month daily production).

Inventories of coal

['000 tonnes]	30 Sep. 2017	31 Dec. 2017	30 Sep. 2018	Change [%] 30 Sep. 2018 / 31 Dec. 2017	Change [%] 30 Sep. 2018 / 30 Sep. 2017
Inventories of coal	140	24	57	137.5%	-59.3%



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

Revenue and key customers

In Q3 2018, the LW Bogdanka Group generated revenue of PLN 479,485,000, which means an increase by 18.4% compared to Q3 2017. The revenue for the period between January-September 2018 amounted to PLN 1,335,637,000, compared to PLN 1,307,132,000 in the same period of 2017, which represents an increase in revenue by 2.2% y/y.

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. 96% of the LW Bogdanka Group's revenue.

In the condensed quarterly consolidated financial statements published by the LW Bogdanka Group, for presentation purposes, data concerning revenue on coal sales and costs of products, goods and materials sold is adjusted (downwards) by the value of sold coal that was obtained by the Parent during drilling of excavations. Bearing in mind the above, the values indicated in the consolidated income statement for the period from 1 January to 30 September 2018 was adjusted by PLN 87,690,000, while in the same period of the previous year – by PLN 45,354,000.

More than 91% of coal sales (in terms of value) in the period from 1 January 2018 to 30 September 2018 was effected between the Parent and Enea Wytwarzanie sp. z o.o., Enea Połaniec S.A., ENERGA Ostrołęka S.A., PGNiG Termika S.A., Grupa Azoty - Zakłady Azotowe Puławy S.A. and EDF Paliwa sp. z o.o.

For period from 1 January 2017 to 30 September 2017 the share of the above customers in coal sales stood at a similar level.

The following companies were customers whose share in the Parent's sales in 2018 exceeded 10% of the total revenue:

- Enea Wytwarzanie sp. z o.o. – Enea Group – more than 59% of share in the revenue
- Enea Połaniec – GK Enea (formerly: ENGIE Polska Energia S.A.) – approx. 22% of revenue

Dynamics of changes in product range with respect to revenue

[PLN '000]	Q3 2017	Q3 2018	Change	Change %	Q1-Q3 2017	Q1-Q3 2018	Change	Change %
Sale of coal	393,029	467,757	74,728	19.0%	1,268,023	1,299,855	31,832	2.5%
Other activities	8,491	7,177	-1,314	-15.5%	29,351	21,898	-7,453	-25.4%
Sale of goods and materials	3,526	4,751	1,225	34.7%	9,758	13,884	4,126	42.3%
Total revenue	405,046	479,685	74,639	18.4%	1,307,132	1,335,637	28,505	2.2%

In Q3 2018 revenue on other operations (which includes revenue of subsidiaries) were PLN 7,177,000 (1.5% of total revenue), compared to PLN 8,491,000 (2.1% of revenue) in the analogous period of 2017 (-15.5% y/y). A significant share in that group of revenue was held by:

- revenue of Łęczyńska Energetyka on sales of heat energy to external companies
- revenue on industrial services provided to companies performing works contracted by the Parent.
- revenue on lease of non-current assets.

In the period from 1 January 2018 to 30 September 2018, income on other operations was PLN 21,898,000 compared to PLN 29,351,000 in the same period of the previous year. Decrease in revenue on sales of other goods and services refers to the transport fee ("przewoźne"), (without impact on EBITDA). - in compliance with IFRS, only margin on operations is presented in 2018.

The share of revenue from the sale of goods and materials in Q3 2018 was comparable to that recorded for Q3 2017. In 2018 and 2017 (both for Q3 and 3Qs 2018) the dominant position in this group was revenue from the sale of scrap on the part of the Parent.



Sales and suppliers at the LW Bogdanka Group and costs of LW Bogdanka S.A.

Revenue - structure by product types

[%]	Q3 2017	Q3 2018	Q1-Q3 2017	Q1-Q3 2018
Sale of coal	97.0%	97.5%	97.0%	97.4%
Other activities	2.1%	1.5%	2.2%	1.6%
Sale of goods and materials	0.9%	1.0%	0.8%	1.0%
Total revenue	100.0%	100.0%	100.0%	100.0%

The activities of the Group are primarily concentrated in Poland. Both in 2018 and in 2017 the exports of goods and products were insignificant and included primarily sales of coal. In three quarters of 2018 the share of exports in the total revenue was 0.01% (PLN 73,000), while in 2017 the figure was 1.9% (PLN 24,981,000).

Geographical structure of revenue

[PLN '000]	Q3 2017	Structure	Q3 2018	Structure	Q1-Q3 2017	Structure	Q1-Q3 2018	Structure
Domestic sales	405,046	100.0%	479,685	100.0%	1,282,151	98.1%	1,335,564	100.0%
Foreign sales	0	0.0%	0	0.0%	24,981	1.9%	73	0.0%
Total revenue	405,046	100.0%	479,685	100.0%	1,307,132	100.0%	1,335,637	100.0%

Suppliers

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

The principal suppliers for the LW Bogdanka Group include companies that provide services and offer products characteristic for mining industry (drilling and reconstructions of excavations, output dump, as well as supply of support systems for longwall galleries, specialist mining machines and equipment) and ones that provide electricity. Between 1 January 2018 and 30 September 2018, the value of the turnover with any supplier did not exceed 10% of the Group's total revenue.

Costs

Costs of LW Bogdanka are presented in as costs by type and costs by function. The costs incurred, in accordance with the formula presented, reflect the use of a given means or factor of production (e.g. materials, energy or labour costs) regardless of whether these will be charged to the costs of a given period as related to the product excavated and sold (commercial coal) or whether they have been used by the Company to finance the construction of an investment facility (incl. longwall galleries) and in the future, following the completion and settlement of a given investment task, they will be activated and depreciated.

Costs by type Q3 2018

In Q3 2018, LW Bogdanka S.A. incurred costs by type in the amount of PLN 486,633,000 (PLN +24,505,000 y/y), i.e. by 5.3% higher than in Q3 2017. The increase in costs recorded in Q3 2018 was largely influenced by higher amortisation / depreciation figure, outsourced services as well as employee benefits.

The value of depreciation went up by 19.0% (to PLN 103,965,000) – the value of depreciation of non-current assets and natural depreciation (increase in gross extraction and the progress of works in the walls).

Compared to Q3 2017, the value of outsourced services in Q3 2018 went up from PLN 103,506,000 to PLN 118,939,000 (+14.9%). In the period under analysis the highest increase was recorded in auxiliary works, works on Saturdays and Sundays as well as mining & drilling services.

Total cost of materials and energy consumption went down by 8.7% compared to the third quarter of 2017, and totalled PLN 125,021,000. In the period under analysis the value of materials used dropped as in Q3 2017 less materials were used for repairs of conveyors and coal-cutting machines.

In Q3 2018, compared to Q3 2017, the value of employee benefits increased by PLN 5,662,000. In the analysed period the salaries and wages along with overheads went up (average employment in Q3 2018 increased compared to analogous period of 2017).

The value of taxes, fees and charges paid went up in Q3 2018 to PLN 11,122,000 from PLN 9,974,000 in Q3 2017 (the real property tax, exploitation fee and payments to the National Fund for the Disabled were higher).

The value of other costs decreased from PLN 4,456,000 (Q3 2017) to 534,000 (Q3 2018) – in Q3 2017 coal allowance for retirees was paid.





Costs in LW Bogdanka S.A.

Costs by type

[PLN '000]	Q3 2017	Q3 2018	Change	Q1-Q3 2017	Q1-Q3 2018	Change
Net production ['000 tonnes]	2,154	2,302	6.9%	6,712	6,820	1.6%
Sale of coal ['000 tonnes]	2,036	2,447	20.2%	6,698	6,788	1.3%
Amortisation	87,388	103,965	19.0%	254,319	300,034	18.0%
Materials and energy consumption	136,921	125,021	-8.7%	354,113	414,652	17.1%
Outsourced services	103,506	118,939	14.9%	300,831	359,790	19.6%
Employee benefits	117,654	123,316	4.8%	353,832	385,647	9.0%
Entertainment and advertising costs	2,229	3,736	67.6%	5,278	6,997	32.6%
Taxes, fees and charges	9,974	11,122	11.5%	29,226	30,682	5.0%
Other costs	4,456	534	-88.0%	5,843	16,101	175.6%
Total costs by type	462,128	486,633	5.3%	1,303,442	1,513,903	16.1%
Cost of own work	-87,337	-61,996	-29.0%	-205,544	-208,523	1.4%
Accruals and deferrals	16,757	33,828	101.9%	55,079	46,868	-14.9%
Value of coal obtained from excavations	-12,308	-26,234	113.1%	-45,354	-87,690	93.3%
Provisions and other presentation adjustments between costs by type and by function	-4,023	2,425	-160.3%	4,638	69	-98.5%
Total production cost	375,217	434,656	15.8%	1,112,261	1,264,627	13.7%
Change in inventory of products	-18,312	25,901	-241.4%	-1,596	-1,832	14.8%
Costs of goods and materials sold	3,480	4,744	36.3%	9,293	13,825	48.8%
Own cost of sales, including:	360,385	465,301	29.1%	1,119,958	1,276,620	14.0%
Costs of products, goods and materials sold	329,443	429,683	30.4%	1,022,208	1,170,038	14.5%
Selling costs	8,633	11,931	38.2%	30,750	32,735	6.5%
Administrative expenses	22,309	23,687	6.2%	67,000	73,847	10.2%

Three quarters of 2018

In the period between 1 January 2018 and 30 September 2018, LW Bogdanka S.A. incurred costs by type in the amount of PLN 1,513,903,000, i.e. by 16.1% (PLN 210,461,000) higher than in the same period of 2017. The increase in costs recorded in the analysed period was largely influenced by the increase in consumption of materials and energy, higher costs of outsourced services, benefits for employees and amortisation / depreciation.

Total cost of materials and energy consumption went up by 17.1% compared to three quarters 2017, and totalled PLN 414,652,000. In the period under analysis, the cost of materials used rose, which is a consequence of higher scope of preparatory works - 28.6 km of galleries were completed during three quarters of 2018, compared to 22.5 km in 2017, which represents an increase of 26.5%.

Compared to three quarters of 2017, the value of outsourced services in the same period of 2018 went up from PLN 300,831,000 to PLN 359,790,000 (+19.6%). In the period under analysis, the highest increases were recorded in mining and drilling services (in respect of broader scope of preparatory works), works on Saturdays and Sundays, ancillary works, repairs and waste management (higher output).

In three quarters of 2018, compared to the same period of 2017, the value of employee benefits increased by PLN 31,815,000. In the period under analysis, employee benefits increased as a consequence of the agreement signed with the trade unions, whereby a 5% increase and a payment of an incentive bonus were agreed upon. An increase in number of staff employed also increased: as at 30 September 2018, it was 4,681 persons and was higher by 210 people compared to 30 December 2017.

The value of depreciation went up by 18.0% (to PLN 300,034,000) – the main increase was recorded in the value of depreciation of non-current assets (reversal of impairment) and the value of natural depreciation.

The value of taxes, fees and charges paid during 9 months of 2018 went up to PLN 30,682,000 from PLN 29,226,000 in 9 months of 2017 – the exploitation fee and real property tax as well as payments to the National Fund for the Disabled were higher.

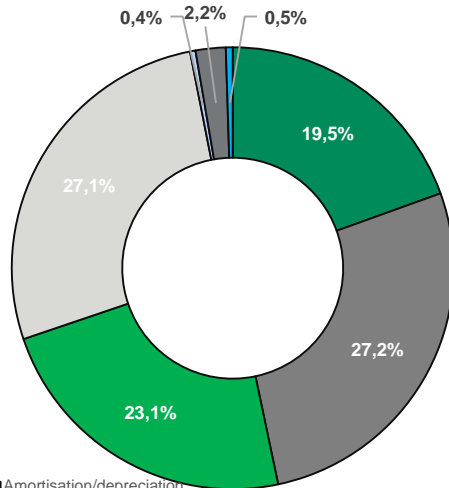
The value of other costs went up from PLN 5,843,000 (three quarters of 2017) to PLN 16,101,000 (three quarters of 2018) – due to taking out a long-term property insurance – item settled through accruals and deferrals.

The result of an adjustment of costs by type by change in inventory of products and accruals and deferrals, the value of activities for the Company's own needs and the costs of goods and materials sold, will give own cost of production sold for the three quarters of 2018 amounting to PLN 1,276,620,000. As compared to the previous year, it is higher by 14.5% (with an increase in net extraction by 1.6% and the amount of coal sold by 1.3% y/y).

Costs in LW Bogdanka S.A.

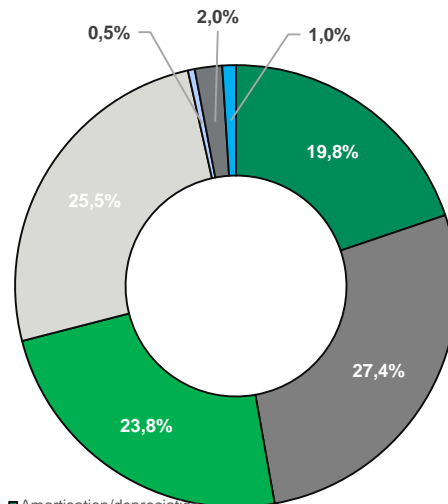
The changes presented in the group of costs by type had an impact on the change in the structure thereof. In three quarters 2018 (compared to the same period of the previous year) the following items went up: materials and energy consumption (27.4%), outsourced services (23.8%), amortisation and depreciation costs (to 19.8%), entertainment and advertising costs (0.5%), and other costs (1.0%). The share of employee benefits and taxes, fees and charges dropped (25.5% and 2.0%, respectively). Between 1 January 2018 and 30 September 2018 the consumption of materials and energy, outsourced services as well as employee benefits accounted for 76.7% of costs, while in the comparable period of 2017 it was approx. 78% of total costs of the Company.

Structure of costs by type Q1-Q3 2017



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

Structure of costs by type Q1-Q3 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 Q3 2018 was PLN 465,301,000 and was higher by 29.1% than the cost incurred in Q3 2017.

Costs by function in the period between January and September 2018 were higher by PLN 156,662,000 than in the analogous period of 2017, and amounted to PLN 1,276,620,000.

Costs by function

[PLN '000]	Q3 2017	Q3 2018	Change	Q1-Q3 2017	Q1-Q3 2018	Change
Net production [in '000 tonnes]	2,154	2,302	6.9%	6,712	6,820	1.6%
Sales [in '000 tonnes]	2,036	2,447	20.2%	6,698	6,788	1.3%
Costs of products, goods and materials sold	329,443	429,683	30.4%	1,022,208	1,170,038	14.5%
Selling costs	8,633	11,931	38.2%	30,750	32,735	6.5%
Administrative expenses	22,309	23,687	6.2%	67,000	73,847	10.2%
Own cost of sales	360,385	465,301	29.1%	1,119,958	1,276,620	14.0%

Structure of costs by function

[%]	Q3 2017	Q3 2018	Q1-Q3 2017	Q1-Q3 2018
Costs of products, goods and materials sold	91.4%	92.3%	91.3%	91.6%
Selling costs	2.4%	2.6%	2.7%	2.6%
Administrative expenses	6.2%	5.1%	6.0%	5.8%
Own cost of sales	100.0%	100.0%	100.0%	100.0%



Provisions

Provisions at the LW Bogdanka Group

Balance-sheet provisions

[PLN '000]	As at 30 Sep. 2017	As at 31 Dec. 2017	As at 30 Sep. 2018	Change Q3 2018 / 31 Dec. 2017	Change Q3 2018 / Q3 2017
Employee provisions	298,560	157,021	158,499	0.9%	-46.9%
Provision for real property tax	39,939	42,353	48,925	15.5%	22.5%
Provision for the mine closure costs and land reclamation	117,036	114,448	124,905	9.1%	6.7%
Mining damage	3,612	4,434	3,450	-22.2%	-4.5%
Provision for Social Insurance Institution (ZUS) claim for accident contributions	21,015	21,340	22,323	4.6%	6.2%
Other	13,214	17,643	12,153	-31.1%	-8.0%
TOTAL	493,376	357,239	370,255	3.6%	-25.0%

The total provisions as at 30 September 2018 amounted to PLN 370,255,000, which means an increase by 3.6% compared to the value as at the end of 2017. Employee provisions grew by 0.9% and amounted to PLN 158,499,000 as at 30 September 2018 compared to PLN 157,021,000 as at the end of 2017.

Change in provisions

The change in provisions in Q3 2018 was PLN 2,479,000 compared to PLN -3,508,000 in Q3 2017. The change in provisions in the period from 1 January to 30 September 2018 was PLN +13,016,000, while in the same period of the previous year it was PLN +38,120,000.

[PLN '000]	Change Q3 2017	Change Q3 2018	Change Q2 2018/ Q2 2017	Change Q1-Q3 2017	Change Q1-Q3 2018	Change Q1-Q3 2018 / Q1-Q3 2017
Employee provisions	-5,682	723	-	31,579	1,478	-95.3%
Provision for real property tax	2,379	2,048	-13.9%	7,483	6,572	-12.2%
Provision for the mine closure costs and land reclamation	-384	376	-	-387	10,457	-
Mining damage	-629	-783	24.5%	-828	-984	18.8%
Provision for Social Insurance Institution (ZUS) claim for accident contributions	330	327	-0.9%	973	983	1.0%
Other	478	-212	-	-700	-5,490	684.3%
TOTAL	-3,508	2,479	-	38,120	13,016	-65.9%

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

[PLN '000]	Change of provisions in Q1-Q3 2018	Including:				
		Change disclosed in operating activity (EBITDA)	Change disclosed below the result of operating activity - interest	Change disclosed only in the balance sheet - increase in balance-sheet value of property, plant and equipment	Change disclosed in other comprehensive income	Change disclosed only in the balance-sheet — use of the provision
Employee provisions	1,478	14,764	2,858	0	5,852	-21,996
Provision for real property tax	6,572	4,435	2,137	0	0	0
Provision for the mine closure costs and land reclamation	10,457	1,043	2,578	6,836	0	0
Mining damage	-984	0	0	0	0	-984
Provision for Social Insurance Institution (ZUS) claim for accident contributions	983	0	983	0	0	0
Other	-5,490	-3,331	219	0	0	-2,378
TOTAL	13,016	16,911	8,775	6,836	5,852	-25,358

[PLN '000]	Change of provisions in Q3 2018	Including:				
		Change disclosed in operating activity (EBITDA)	Change disclosed below the result of operating activity - interest	Change disclosed only in the balance sheet - increase in balance-sheet value of property, plant and equipment	Change disclosed in other comprehensive income	Change disclosed only in the balance-sheet — use of the provision
Employee provisions	723	5,089	945	0	0	-5,311
Provision for real property tax	2,048	1,332	716	0	0	0
Provision for the mine closure costs and land reclamation	376	346	859	-829	0	0
Mining damage	-783	0	0	0	0	-783
Provision for Social Insurance Institution (ZUS) claim for accident contributions	327	0	327	0	0	0
Other	-212	-70	74	0	0	-216
TOTAL	2,479	6,697	2,921	-829	0	-6,310

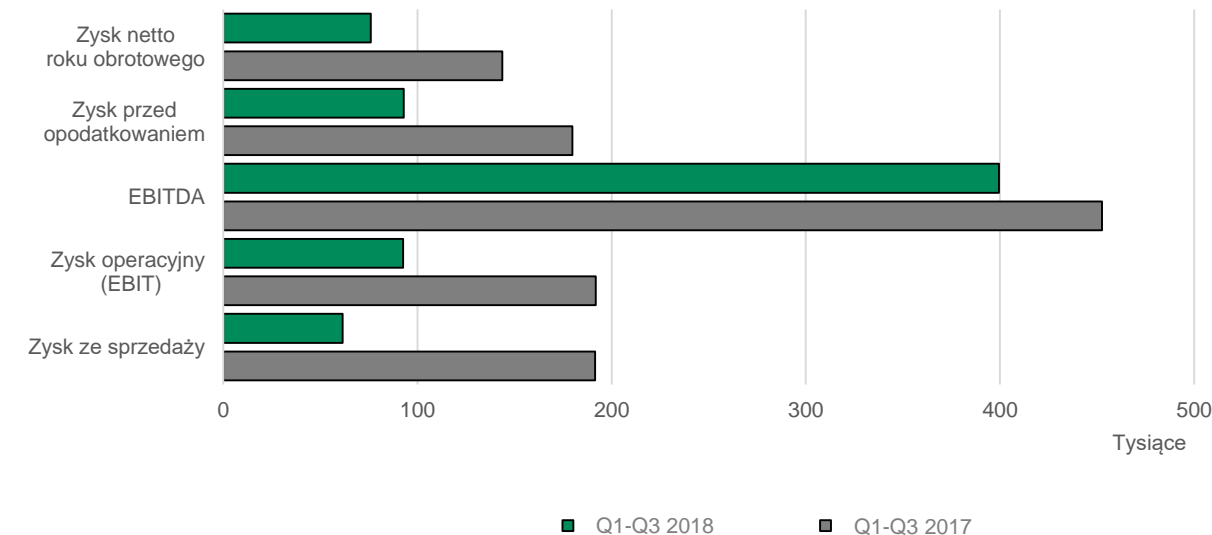
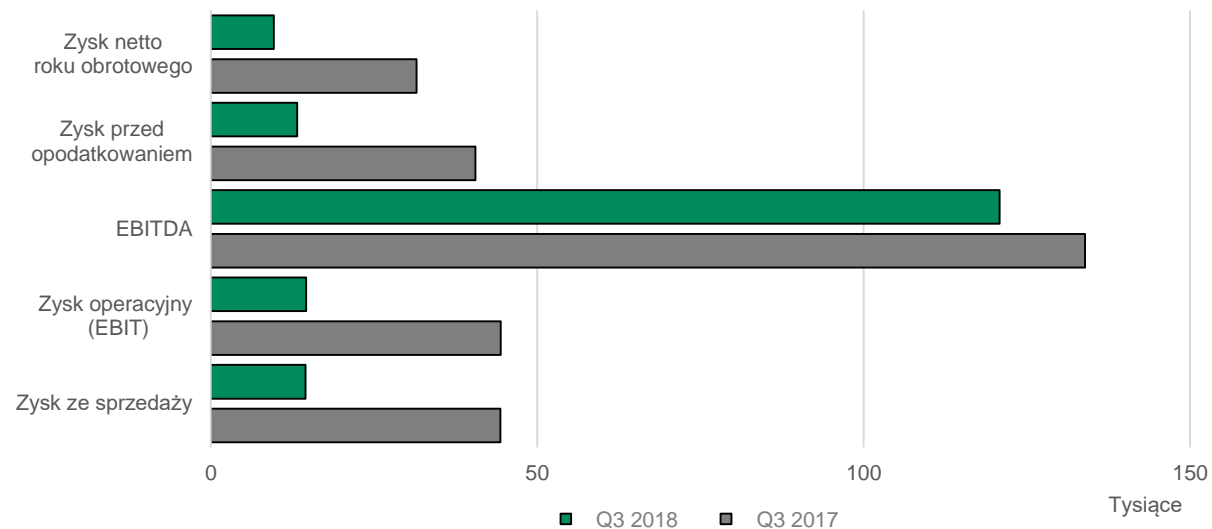
Financial highlights

Selected financial data of the LW Bogdanka Group

Analysis of the consolidated income statement

[PLN '000]	Q3 2017	Q3 2018	Change	Q1-Q3 2017	Q1-Q3 2018	Change
Revenue	405,046	479,685	18.4%	1,307,132	1,335,637	2.2%
Costs of products, goods and materials sold, selling costs and administrative expenses	360,711	465,191	29.0%	1,115,710	1,274,194	14.2%
Profit on sales	44,335	14,494	-67.3%	191,422	61,443	-67.9%
Gross sales margin	10.9%	3.0%	-7.9 p.p.	14.6%	4.6%	-10.0 p.p.
Other income	384	465	21.1%	2,143	30,825	1338.4%
Other costs	351	320	-8.8%	560	1,076	92.1%
Net operating profit	44,368	14,639	-67.0%	193,005	91,192	-52.8%
Other net profits/(losses)	44	-64	-	-1,119	1,421	-
Operating profit (EBIT)	44,412	14,575	-67.2%	191,886	92,613	-51.7%
EBIT margin	11.0%	3.0%	-8.0 p.p.	14.7%	6.9%	-7.8 p.p.
EBITDA	133,904	120,823	-9.8%	452,539	399,445	-11.7%
EBITDA margin	33.1%	25.2%	-7.9 p.p.	34.6%	29.9%	-4.7 p.p.
Finance income	1,574	1,710	8.6%	5,647	11,851	109.9%
Finance costs	5,462	3,068	-43.8%	17,716	11,597	-34.5%
Profit before taxation	40,524	13,217	-67.4%	179,817	92,867	-48.4%
Pre-tax profit margin	10.0%	2.8%	-7.2 p.p.	13.8%	7.0%	-6.8 p.p.
Income tax	8,993	3,557	-60.4%	36,162	16,854	-53.4%
Net profit for the financial year	31,531	9,660	-69.4%	143,655	76,013	-47.1%
Net sales margin	7.8%	2.0%	-5.8 p.p.	11.0%	5.7%	-5.3 p.p.

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





Financial highlights

Revenue

The value of revenue for Q3 2018 increased by 18.4% compared to the same period of the previous year, and amounted to PLN 479,685,000.

In the period between 1 January 2018 and 30 September 2018 the LW Bogdanka Group generated revenue at a level of PLN 1,335,637,000 compared to PLN 1,307,132,000 in the same period of 2017 (up by 2.2%).

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

In the third quarter of 2018 the costs of products, goods and material sold plus selling costs and administrative expenses went up by 29.0% compared by the same period of the previous year and amounted to PLN 465,191,000. The increase is mainly related to payroll costs (in performance of the agreement signed with the trade unions) and costs of materials and outsourced services (higher gross extraction, broader scope of preparatory works).

During the three quarters of 2018, the costs in question went up by 14.2% y/y.

Profit on sales

In Q3 2018 the Group generated profit on sales amounting to PLN 14,494,000, and in the same period of 2017 it was PLN 44,335,000.

The Group closed three quarters of 2018 with a profit on sales in the amount of PLN 61,443,000, versus PLN 191,422,000 in three quarters of 2017.

Other income

In Q3 2018 other income amounted to PLN 465,000 compared to PLN 384,000 a year before. In three quarters of 2018 other income amounted to PLN 30,825,000 (which primarily refers to the settlement between the Company and the Mostostal Warszawa S.A. and Acciona Infraestructuras consortium), comparing to PLN 2,143,000 in the analogous period of the previous year.

Other expenses and other net losses

During three quarters of 2018 and in 2017, other costs amounted to PLN 1,076,000 and PLN 560,000, respectively - the main component item of this group of costs were damages paid.

Other net losses in Q3 2018 amounted to PLN 64,000 compared to net profit of PLN 44,000 in Q3 2017. Data for three quarters of 2018 show an increase in other net profits to a total amount of PLN 1,421,000. In 2017, after the three quarters, other net losses were generated in the amount of PLN 1,119,000.

EBIT

The operating profit in Q3 2018 amounted to PLN 14,575,000 compared to PLN 44,412,000 in Q3 2017. EBIT margin for Q3 2018 was 3.0%, i.e. it was lower by 8.0 p.p. than in Q3 of the previous year. EBIT margin in three quarters of 2018 was lower by 7.8 p.p. compared to the same period of 2017, and accounted for 6.9% (with the operating profit at a level of PLN 92,613,000 for three quarters of 2018, versus PLN 191,886,000 in three quarters of 2017).

EBITDA

EBITDA in Q3 2018 went down by 9.8% compared to Q3 2017 and amounted to PLN 120,823,000. EBITDA margin in the third quarter of 2018 equalled 25.2%, which shows a decrease compared to the same period of 2017.

In three quarters of 2018, the Group achieved EBITDA margin of 29.9%, i.e. 4.7 p.p. less year on year. EBITDA amount for three quarters of 2018 was PLN 399,445,000 compared to PLN 452,539,000 in the same period of 2017.

Finance income

Finance income in Q3 2018 amounted to PLN 1,710,000 (+8.6% y/y). For three quarters of 2018, finance income was PLN 11,851,000 (+109.9% y/y). The increase in revenue is primarily attributable to the settlement between the Company and the Mostostal Warszawa S.A. and Acciona Infraestructuras consortium (approx. PLN 2.7 million) and a release of a provision for possible interest on CIT (approx. PLN 3.6 million).

Finance costs

In Q3 2018 finance costs amounted to PLN 3,068,000 and were lower by 43.8% than the costs in the same period of 2017.

The finance cost for nine months of 2018 amounted to PLN 11,597,000 compared to PLN 17,716,000 in 2017 (decrease by 34.5%). As at 30 September 2018 total debt of the Group amounted to PLN 168,847,000, including that of the Parent of PLN 150,939,000 compared the Group's debt of PLN 322,886,000 as at 30 September 2017. The decrease is a result of lowering the debt – primarily due to repayment of the second tranche of bonds.

Profit before taxation

In Q3 2018 the Group generated pre-tax profit of PLN 13,217,000 compared to PLN 40,524,000 in Q3 2017.

Profit before taxation for three quarters of 2018 amounted to PLN 92,867,000 against PLN 179,817,000 in the same period of 2017.

Net profit for the financial year

In Q3 2018 the Group achieved net profit of PLN 9,660,000 compared to PLN 31,531,000 in Q3 2017.

The net profit of the Group for three quarters of 2018 was PLN 76,013,000 compared to PLN 143,655,000 in the analogous period of the previous financial year.

Balance sheet

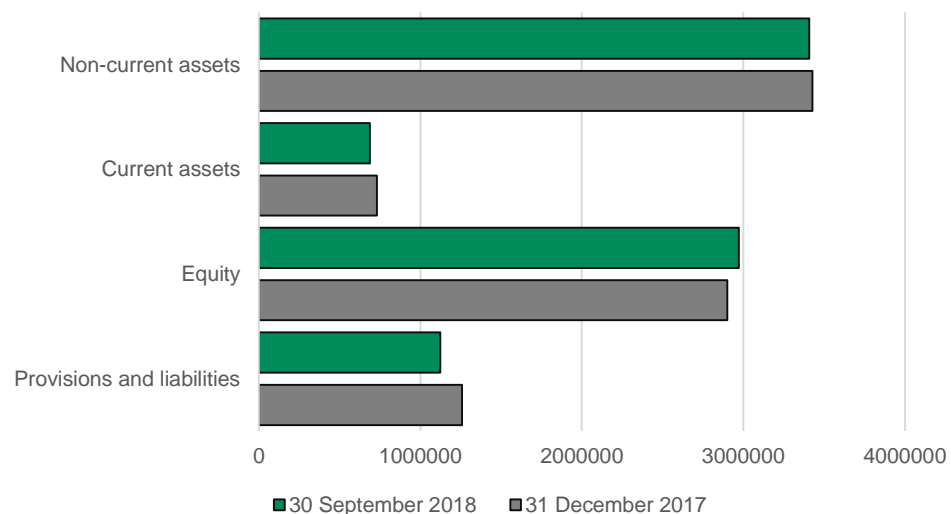
Balance sheet

Selected financial data

[PLN '000]	31 Dec. 2017	30 Sep. 2018	Change
Total assets	4,158,872	4,095,361	-1.5%
Return on Assets (ROA)*	16.8%	14.5%	-2.3 p.p.
Non-current assets	3,428,805	3,407,673	-0.6%
Current assets	730,067	687,688	-5.8%
Equity	2,901,527	2,972,800	2.5%
Return on Equity (ROE)*	25.7%	20.4%	-5.3 p.p.
Provisions and liabilities	1,257,345	1,122,561	-10.7%

* the calculations include net result for the last four quarters and an average level of assets and equity (as at 30 September 2018 + as at 31 December 2017)/2

Analysis of the quarterly consolidated statement of financial position



Assets

The balance-sheet total as at 30 September 2018 went down to PLN 4,095,361,000 (i.e. by PLN 63,511,000) compared to the value as at 31 December 2017, with non-current assets going down by PLN 21,132,000 and current assets by PLN 42,379,000. Within current assets, the value of inventories went up by 46.7%, trade and other receivables went up by 22.4%, with cash and cash equivalents going down by 39.3%.

As at 30 September 2018 ROA dropped by 2.3 p.p. and as at the balance-sheet date was 14.5%.



Equity and liabilities

The equity went up by 2.5%. This is caused by recognising net total income in the amount of PLN 71,273,000 for nine months of 2018.

Provisions and liabilities went down by 10.7% compared to the value as at 31 December 2017, with current liabilities going down by 20.6% (main drop in liabilities on employee benefits and financial liabilities related to bond issue), while non-current liabilities went up by 3.6% (primarily including growth in provisions for other liabilities and charges, liabilities on employee benefits and liabilities on account of the deferred income tax).

As at 30 September 2018, a decrease of 5.3 p.p. in return on equity compared to the end of 2017 was recorded. As at 30 September 2018, the ratio was 20.4% versus 25.7% as at 31 December 2017.

Cash flow

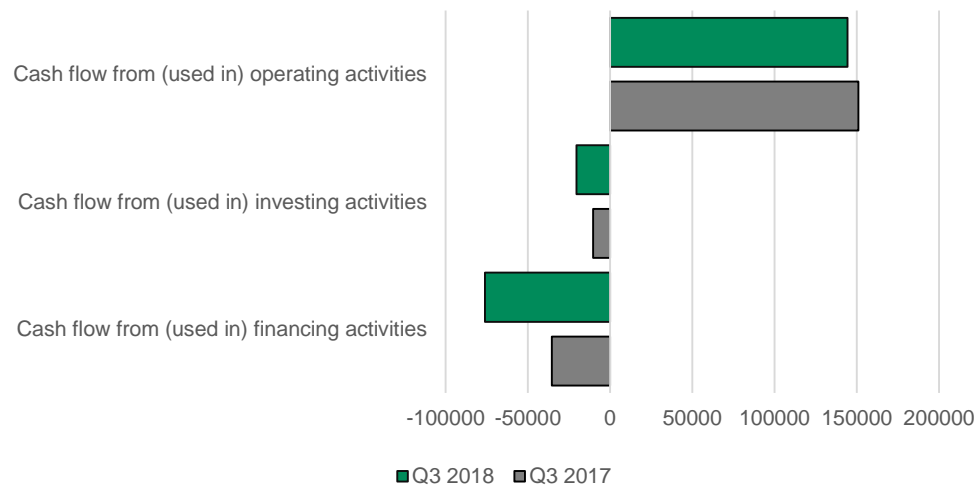
Cash flow

Consolidated cash flow

[PLN '000]	Q3 2017	Q3 2018	Change	Q1-Q3 2017	Q1-Q3 2018	Change
Cash flow from (used in) operating activities	150,885	144,345	-4.3%	349,351	360,239	3.1%
Cash flow from (used in) investing activities	-103,590	-20,428	-80.3%	-262,463	-377,476	43.8%
CFFO*	47,295	123,917	162.0%	86,888	-17,237	-
Cash flow from (used in) financing activities	-35,448	-75,949	114.3%	-340,878	-153,835	-54.9%

*total cash flow from operating and investing activity

Analysis of the consolidated statement of cash flows



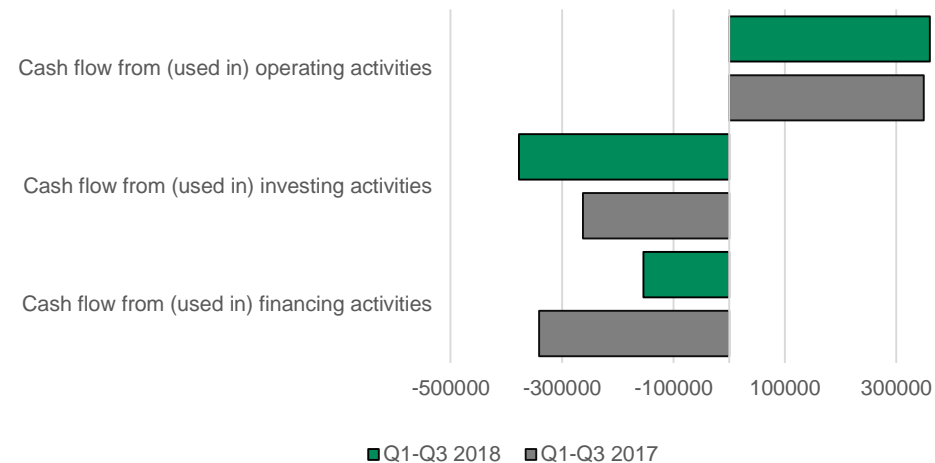
In Q3 2018 the Group generated net cash flow from operating activities lower by 4.3% than in Q3 2017 (in the period from July to September 2018 it amounted to PLN 144,345,000 compared to PLN 150,885,000 a year before).

During three quarters of 2018 the LW Bogdanka Group generated cash flow from operating activities of PLN 360,239,000 (+3.1% y/y).

Cash flow from investing activities decreased (in absolute terms) in Q3 2018 by 80.3% (to PLN -20,428,000) compared to the same period of 2017, it however includes expenses and inflows from other current investments in bank deposits longer than 3M. Cumulatively for 9 months of 2018 cash flow from investing activities increased its value by 43.8% relative to the analogous period of the previous year.



Analysis of the consolidated statement of cash flows





Debt and liquidity ratios

Debt and financing structure

Debt ratios

[PLN '000]	31 Dec. 2017	30 Sep. 2018	Change
Overall debt ratio	30.2%	27.4%	-2.8 p.p.
Ratio (debt plus employee liabilities)/EBITDA	0.68	0.50	-26.5%
Net debt ratio/EBITDA*	-0.16	-0.14	-12.5%
Debt to equity ratio	43.3%	37.8%	-5.5 p.p.
Fixed capital to non-current assets ratio	96.2%	99.2%	3.0 p.p.
Current debt ratio	17.9%	14.4%	-3.5 p.p.
Non-current debt ratio	12.3%	13.0%	0.7 p.p.

*Debt = non-current and current liabilities due to bond issue as well as credits and loans

Overall debt ratio

The overall debt ratio as at 30 September 2018 went down by 2.8 p.p. compared to 31 December 2017 and reached 27.4% (redemption of bonds).

The level of the Group's debts as at 30 September 2018 did not pose any risk to the Group's operation and its ability to settle liabilities in a timely manner. On the basis of medium and long-term forecasts, the financial needs of the Group are analysed in order to ensure liquidity and an appropriate level of cash.

Ratio debt plus employee liabilities/EBITDA

The ratio showing debt to EBITDA at the end of Q3 2018 went down compared to the figure as at the end of 2017 and totalled 0.50. When comparing data as at 30 September 2018 to 31 December 2017, debt (including amounts payable to employees) fell more - in nominal terms, while the drop in EBITDA showed lower figure (cumulatively for the last four quarters).

Ratio net debt/EBITDA

The ratio describing the relation of net debt (the total of current and non-current interest-bearing liabilities less cash and equivalents) to EBITDA increased from -0.16 as at 31 December 2017 to -0.14 as at 30 September 2018. The value of net debt dropped by approx. PLN 18 million comparing to December 2017.

Debt to equity ratio

Debt to equity ratio as at 30 September 2018 decreased in relation to 31 December 2017 by 5.5 p.p. and was 37.8% - liabilities dropped by ca. PLN 135 million along with an increase in equity by ca. PLN 71 million.

Fixed capital to non-current assets ratio

The fixed capital to non-current assets ratio was 99.2% (as at 30 September 2018) compared to 96.2% (as at 31 December 2017) – in the analysed period the value of non-current assets dropped by approx. PLN 21 million; fixed capitals (equity plus non-current liabilities less provisions) increased by approx. PLN 79 million.

Liquidity ratio

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.

Liquidity ratios

[days]	31 Dec. 2017	30 Sep. 2018	Change
Current liquidity ratio	1.11	1.36	22.5%
Quick liquidity ratio	1.01	1.18	16.8%





Turnover ratios

Turnover ratios

[PLN '000]		31 Dec. 2017	30 Sep. 2018	Change
1. Inventory turnover ratio	<u>Average inventories</u> costs of goods, products and materials sold	28	20	-28.6%
2. Debtors collection rate*	<u>Average debtors</u> revenue	46	62	34.8%
3. Creditors payment rate**	<u>Average creditors</u> costs of goods, products and materials sold	134	75	-44.0%
4. Operating cycle	1+2	74	82	10.8%
5. Cash conversion cycle	4-3	-60	7	-111.7%

* Trade and other receivables

** Trade and other liabilities

Inventory turnover ratio

The inventory turnover ratio as at 30 September 2018 fell by 8 days, compared to the previous year. In year-on-year terms, both average level of inventories as well as costs of products, goods and materials sold have increased.

Debtors collection rate

The debtors collection rate (calculated on the basis of the balance-sheet item "Trade and other receivables") was 62 days (as at 30 September 2018), compared to 46 days (as at 31 December 2017). The increase in the ratio's value is attributable to a higher average level of receivables with a relatively lower average level of the revenue.

Creditors payment rate

The creditors payment rate (calculated on the basis of the balance sheet item "Trade and other liabilities") in the period covered by the financial information got shorter by 59 days to ca. 75 days, as compared to the end of 2017. In the period under analysis, the LW Bogdanka Group had a lower average level (by approx. PLN 4 million) of current trade creditors with higher costs (by approx. PLN 309 million) of products, goods and materials sold (as at 31 December 2017 reversal of impairment loss of non-current assets was made).

Operating cycle

The operating cycle for current assets (a sum of inventory turnover and debtors collection rate) in the analysed period was 82 days, compared to 74 days as at 31 December 2017. The time necessary for realising the Group's current assets got longer by 8 days on average.

Cash conversion cycle

The consequence of the above trends, the cash conversion cycle as at 30 September 2018 was 7 days (as at 31 December 2017: -60 days).

Assessment of factors an untypical events affecting the operating profit

In 2018 key untypical events which had a bearing on the consolidated operating profit were as follows:

- settlement between LW Bogdanka S.A. and the consortium of Mostostal Warszawa S.A. and Acciona Infraestructuras.
- salaries increase for the staff, negotiated by the representatives of the employees and local community (including the additional bonus paid out).

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

During nine months of 2018 no material off-balance sheet items occurred.

Investments and capital investments of LW Bogdanka Group

In 2018 the Group made no significant capital investments.

The value of cash held by the Group as at the end of September 2018 stood at PLN 383,982,000, of which PLN 365,545,000 was held by the Parent.

The amount of PLN 383,982,000 is disclosed as follows:

- PLN 120,126,000 disclosed in non-current assets,
- PLN 263,856,000 disclosed in current assets.

The amount of PLN 120,126,000 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 263,856,000 includes financial resources (available cash) kept in short- and medium-term bank deposits – the amount of deposited cash varies depending on internal income and expenditure forecasts. In accordance with the adopted Strategy, the Parent maintains the amount of available cash at the levels equal to the value of average monthly sales revenue (1/12 of forecast annual sales revenue). Financial resources gathered at the Parent amount to PLN 245,419,000, and in the subsidiaries – PLN 18,437,000.

In addition to cash, the Group also hold other current investments worth PLN 76,089,000 consisting in bank deposits with the initial maturity of more than 3 months.



Information on financial instruments and bonds

Information on derivative financial instruments

As at 30 September 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 30 September 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 30 September 2018 PLN 150,000,000 remained outstanding. Maturity dates of the remaining bonds are as follows:

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

Given the fact that 30 September 2018 was a day off work, in accordance with the above Programme Agreement, the Parent redeemed bonds totalling PLN 75,000,000 on 1 October 2018. After 1 October 2018 the total of PLN 75,000,000 remained outstanding.

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.

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 this Report, the LW Bogdanka Group sees no threat as to the possibility of acquiring additional debt financing, but points out to the risk that the costs of its acquisition and servicing may be higher than those currently incurred.

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

The Consolidated Quarterly Report of LW Bogdanka S.A. for Q3 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 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" were applied for the first time as of 1 January 2018. More information is contained in Note 2 of the Consolidated Quarterly Report of the LW Bogdanka Group for the Q3 2018 drawn as at 30 September 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 Q3 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]	Value outstanding [PLN '000]
23 September 2013	300,000	300,000	-	75,000



Agreements concerning loans and borrowings

In Q3 2018 the Parent had one loan agreement in effect.

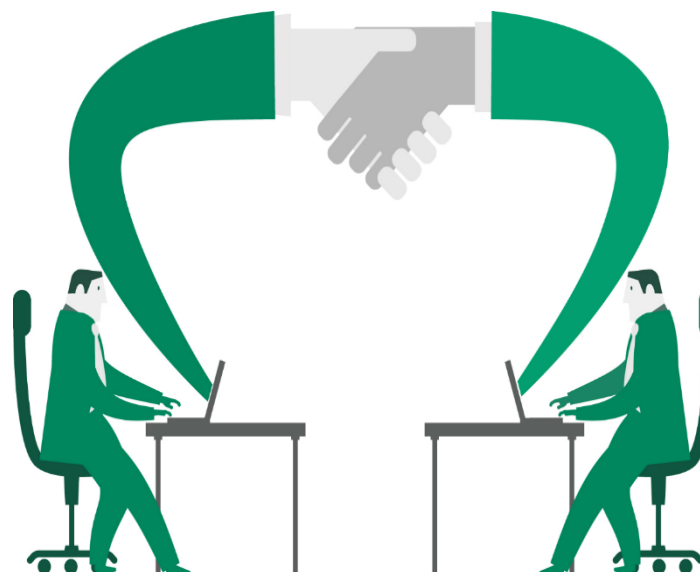
Start date	End date	Lender	Amount of loan granted [PLN '000]	Interest rate	Debt (loans) as at 30 September 2018 [PLN '000]	Repayment period
16 December 2016	30 November 2018	mBank S.A.	100,000	WIBOR 1M + margin	-	Overdraft

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 30 September 2018, neither LW Bogdanka nor its subsidiaries granted sureties for a credit or loan facilities, nor did they grant guarantees jointly to a single entity or a subsidiary company of that entity covering a value which, in the opinion of the Company, was significant.

Transactions with related entities

During three quarters of 2018 the Parent and its subsidiaries did not conclude transactions with related entities which 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 Quarterly Report of the LW Bogdanka Group for Q3 2018 prepared as at 30 September 2018.



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.

In the period between 1 January and 30 September 2018 the Company did not use any third-party financing for its operations.

In Q3 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.

Guarantees received by the LW Bogdanka Group

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 further 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 Q3 2018 LW Bogdanka S.A. and the subsidiaries of the LW Bogdanka Group did not acquire any treasury shares of the Parent.

Changes in the shareholding structure by the date of the Report

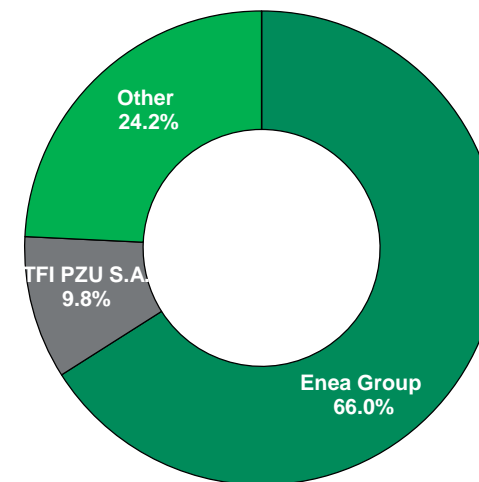
According to the information of the Parent, the Issuer's shareholding structure has not changed since the publication of the Interim Consolidated Directors' Report for the Operations of the LW Bogdanka Group for H1 2018.

Shareholding structure

The table below shows a shareholding structure of the Parent as at 13 September 2018 and as the date of publishing this Report, i.e. 23 November 2018

Shareholder	Number of shares/ number of votes at the Shareholders Meeting	Share capital interest/ interest in the total number of votes
Shareholding of LW Bogdanka S.A. as at 13 September 2018 and 23 November 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 23 November 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 2018, 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

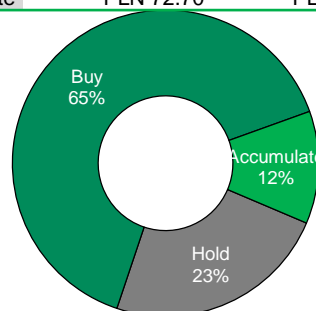
Participation of the Parent's shares in indices as at 23 November 2018



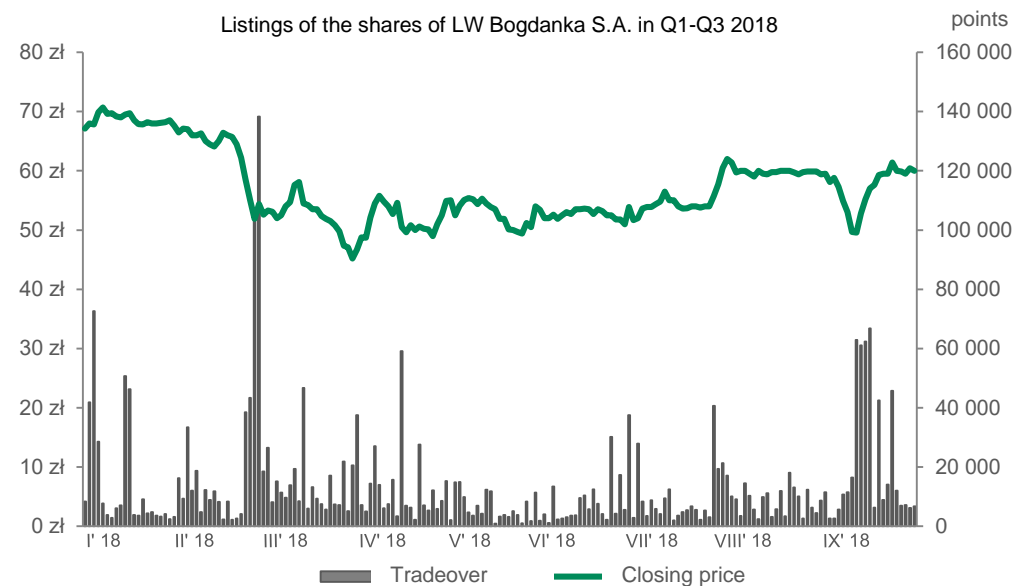
Analysts' recommendations issued for LW Bogdanka S.A. in 2018

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	BZ WBK	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
25 May	Societe Generale	Hold	PLN 57.00	PLN 50.00
28 May	BZ WBK	Buy	PLN 58.00	PLN 49.00
18 June	PKO IB	Buy	PLN 72.20	PLN 53.50
4 July	BOŚ DM	Buy	PLN 70.00	PLN 53.60
19 July	Societe Generale	Hold	PLN 57.00	PLN 53.60
24 August	BZ WBK	Hold	PLN 64.90	PLN 59.70
13 September	Santander	Buy	PLN 72.00	PLN 52.80
17 September	BOŚ DM	Buy	PLN 77.00	PLN 57.60
24 September	Noble Securities	Accumulate	PLN 67.60	PLN 61.40
1 October	Vestor DM	Accumulate	PLN 72.70	PLN 68.50

In 2018, 88% of analysts recommended "BUY" or "HOLD" shares of LW Bogdanka S.A.



Listings of the shares of LW Bogdanka S.A. in Q1-Q3 2018



Key share indicators:	Q1-Q3 2017	Q1-Q3 2018
Maximum price [PLN]	83.80	70.70
Minimum price [PLN]	59.00	45.20
Last price [PLN]	75.00	60.00
Average price [PLN]	71.96	61.36
Capitalisation at end of period [PLN million]	2,551.02	2,040.82
Book value [PLN million]	2,374.48	2,972.80
Price/earnings ratio	17.76	26.85
Price/book value	1.07	0.69
Average volume per session [pcs]	19,167	18,002
Number of shares in float [no. of shares]	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 supervisory 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 23 November 2018	Nominal value of the shares (PLN)	Number of the Company's shares as at 13 September 2018	Nominal value of the shares (PLN)	Number of shares in subsidiaries	
Artur Wasil	0	0	0	0	0	
Artur Wasilewski	0	0	-	-	-	
Adam Partyka	253	1,265	0	0	0	
Marcin Kapkowski	0	0	0	0	0	
Dariusz Dumkiewicz	0	0	-	-	-	
SUPERVISORY BOARD						
Name and surname	Number of the Company's shares as at 23 November 2018	Nominal value of the shares (PLN)	Number of the Company's shares as at 13 September 2018	Nominal value of the shares (PLN)	Number of shares in subsidiaries	
Miroslaw Kowalik	0	0	0	0	0	
Szymon Jankowski	0	0	0	0	0	
Przemyslaw 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 Spoz	0	0	0	0	0	
Michał Stopyra	0	0	0	0	0	
Total	Number of the Company's shares as at 23 November 2018	Nominal value of the shares (PLN)	Number of the Company's shares as at 13 September 2018	Nominal value of the shares (PLN)	Number of shares in subsidiaries	
	253	1,265	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. For more information on the Management Options Scheme please refer to the Condensed Interim Consolidated Financial Statements of the LW Bogdanka Group prepared as at 30 June 2018, Note 12. At the end of July 2018, following arrangements regarding the termination of the Programme participation agreements, the Programme was actually closed. In exchange for the termination, the Participants received symbolic monetary compensation.

The Company 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 responsible for Employee and Social Affairs at LW Bogdanka S.A.



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

Mr Artur Wasilewski graduated from the Lublin University of Technology in 1998 with a degree in Management and Marketing. In 2000 he completed postgraduate studies in Corporate Finance and Capital Market. In 2003 he graduated with a Master of Business Administration degree from Warsaw University & University of Illinois. He has participated in multiple training courses in the domains of finance and reporting according to the International Financial Reporting Standards (IFRS/IAS). He is a Member of Supervisory Boards of companies. In 1998-2000, he worked as a financial analyst at a consultancy firm DEMOS Sp. z o.o., gaining experience in the scope of analysis and price estimation of enterprises, consulting implementations of efficiency solutions, preparing privatisation reports for the Polish Ministry of Treasury. Since 2000 he has been part of Lubelski Węgiel BOGDANKA S.A. Within the Company, he has climbed the career ladder from Financial Analyst, Manager of Planning and Analysis to Chief Economist.

Since 2013 he served as the Controlling Director and in 2018 he took the position of Controlling and Finance Director. Since October 2018, Vice-President of the Management Board, Economic and Financial Affairs



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.



Dariusz Dumkiewicz
Vice-President of the Management Board, Development

Mr Dariusz Dumkiewicz is a graduate of the Faculty of Law and Administration at the Marie Curie Skłodowska University in Lublin, from which he graduated in 2002 with a degree in law. He has also completed postgraduate programme in "Project Management and EU Law" arranged by UMCS and the Lublin Development Foundation. In 2018 he completed his Master of Business Administration degree at the Lublin University of Technology. Mr Dariusz Dumkiewicz has 16 years' work experience in leading development and investment projects. From 2002 to 2006 he was employed in managerial positions at the City Council of Lublin, where he managed EU-financed projects. In 2006 he performed the role of advisor to the Minister in the Ministry of Labour and Social Policy as well as an expert in the area of Development of Eastern Poland in the Ministry of Development. In 2007 he was made Director of the Department of Strategy and Development in the Marshall's Office of the Lublin Province. He was responsible for negotiations with the European Commission and financing strategic infrastructure investment projects for the province. Since 2008 he was a Member of the Management Board, Vice-President of consulting firms that provide advice to enterprises, primarily in the energy sector. In 2016 he took the position of Head of Lublin Branch of PSG sp. z o.o. the distributor of natural gas in the Górnictwo Naftowe i Gazownictwo S.A. Group. Since 15 October 2018 - Vice-President of the Management Board responsible for Development at LW Bogdanka S.A.



Marcin Kapkowski
Vice-President of the Management Board, Procurement and Investments

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



Changes in the Management Board of the Parent

Date	Event
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, 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.
19 September 2018	The Supervisory Board of the Parent adopted resolutions under which the following persons were dismissed from their positions in the Management Board: Mr Stanisław Misterek, Vice-President of the Management Board responsible for Economic and Financial Affairs and Mr Sławomir Karlikowski, Vice-President of the Management Board responsible for Production and Development.
4 October 2018	The Supervisory Board of the Parent adopted resolutions under which the following persons were appointed to the Management Board: Mr Artur Wasilewski to the position of Vice-President of the Management Board responsible for Economic and Financial Affairs as from 8 October 2018, and Mr Dariusz Dumkiewicz to the position of Vice-President of the Management Board responsible for Development as from 15 October 2018.

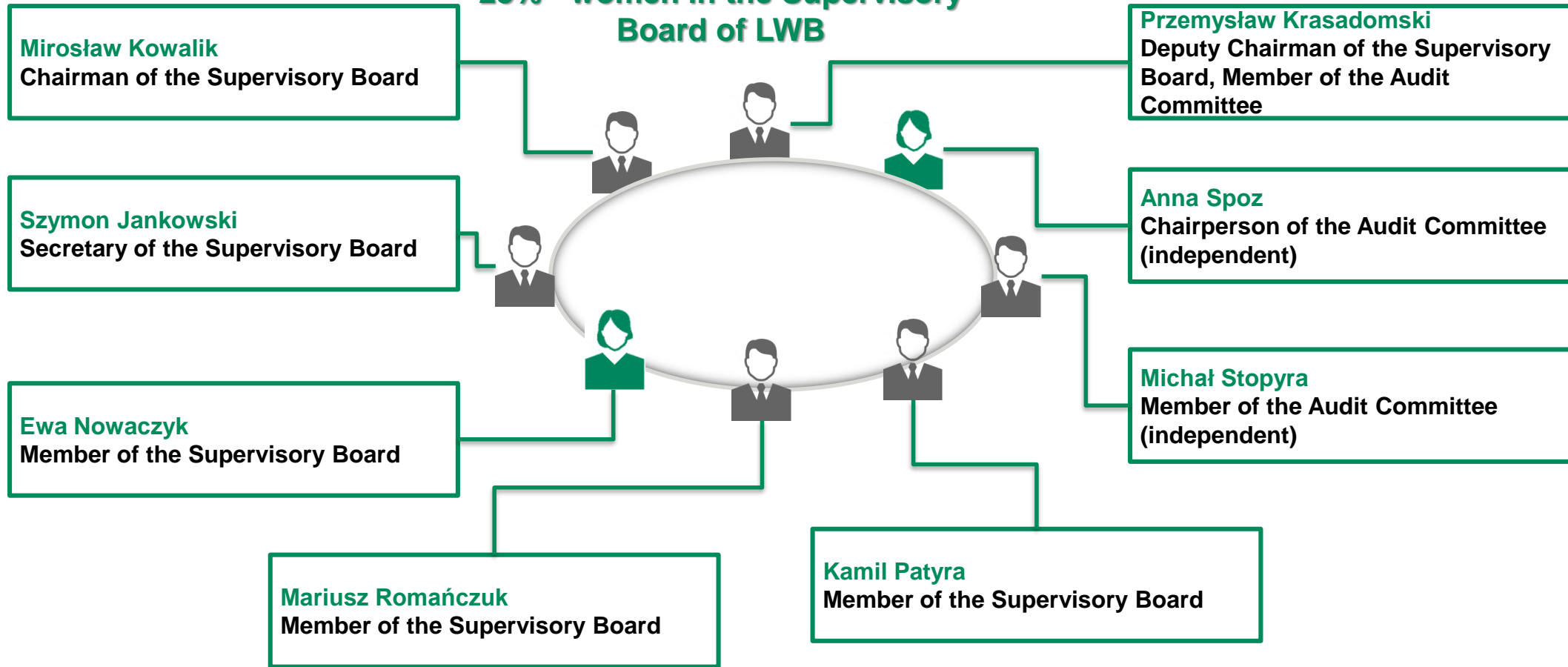




Supervisory Board of the Parent as at 23 November 2018

25% - independent members in the Supervisory Board of LWB

25% - women in the Supervisory Board of LWB





Supervisory Board of the Parent as at 23 November 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



SIGNATURES OF ALL MANAGEMENT BOARD MEMBERS

Artur Wasil	President of the Management Board
Artur Wasilewski	Vice-President of the Management Board, Economic and Financial Affairs
Adam Partyka	Vice-President of the Management Board, Employee and Social Affairs
Dariusz Dumkiewicz	Vice-President of the Management Board, Development
Marcin Kapkowski	Vice-President of the Management Board, Procurement and Investments

Bogdanka, 22 November 2018



Thank you!