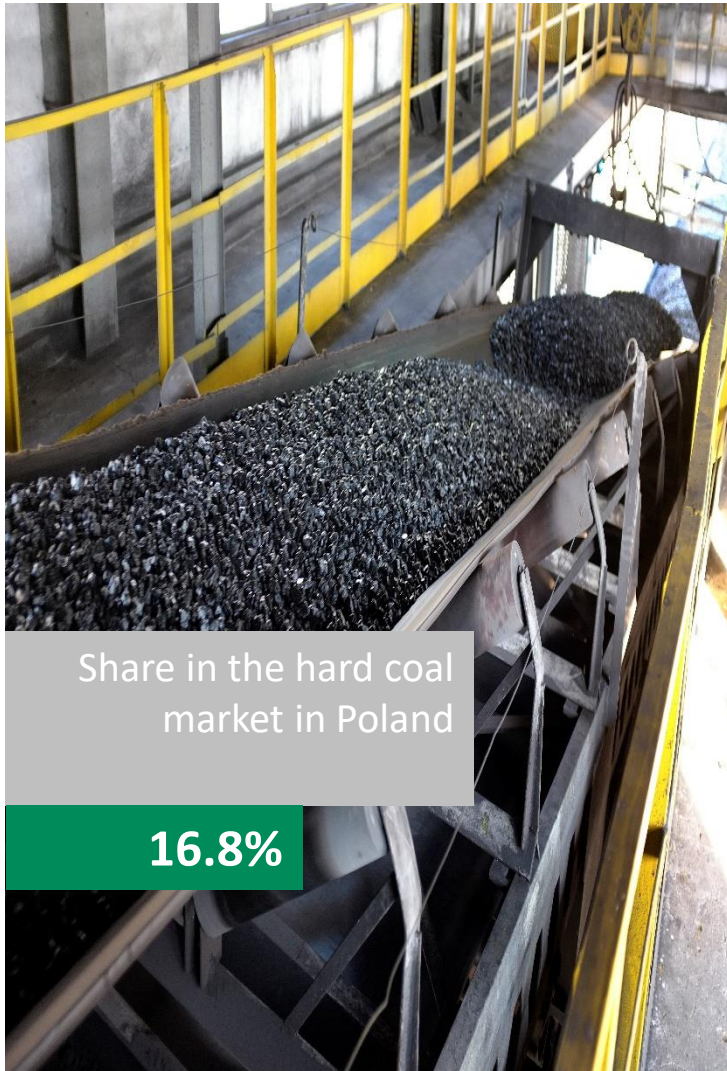




Directors' Report on Operations of the
LW Bogdanka Group for the first
quarter of 2019





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Summary of operations

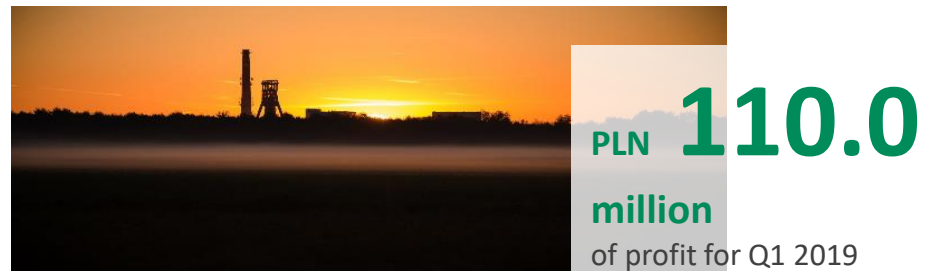
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PLN 540.8
million of revenue
in Q1 2019

2.4 million tonnes

of sold coal
in Q1 2019



PLN 128.0
million
of operating profit





Key events in the first quarter of 2019 and events until the publication date

Resignation of a Management Board member

On 18 January 2019 the Management Board of LW Bogdanka S.A. received from Mr Marcin Kapkowski, Vice-President of the Management Board responsible for Procurement and Investments, his resignation from his function as a Member of the Company's Management Board with effect from 31 January 2019.

Decrease in TFI PZU S.A. investments funds' share below 5%

On 9 April 2019, the the Management Board of LW Bogdanka S.A. was notified by Towarzystwo Funduszy Inwestycyjnych PZU S.A. (TFI PZU S.A.) that the investment funds managed by TFI PZU S.A. decreased their share in the total vote at the Company's General Shareholders Meeting below 5%.

Release of provision for ZUS claims related to contribution for accident insurance

On 24 April 2019, the Management Board of LW Bogdanka S.A. was informed that the Supreme Court had, on 4 April 2019, issued a judgement regarding cassation appeal filed by the Social Insurance Institution, Branch in Lublin regarding the Company's appeal from ZUS's decision defining the percentage rate of a contribution for accident insurance.

The Supreme Court rejected the cassation appeal, therefore the judgement, advantageous for the

Company, issued by the Court of Appeal on 21 November 2017, became final and the claim was finally rejected. The pending case was notified by the Company in its periodic reports.

On this basis, having determined the impact and type of the abovementioned event after the balance-sheet date on the interim consolidated financial statements of the Group, the Management Board of the Company decided to release the provision in full amount, i.e. PLN 22.7 million (PLN 16.4 million - the principal amount, PLN 6.3 million – interest).

Concluding an Annex with Enea Elektrownia Połaniec S.A. with provisions for 2021

On 30 April 2019, an annex to the Long-Term Agreement on sale of thermal coal No. 3/W/2012, was signed by the Company and Enea Elektrownia Połaniec S.A. As a result of concluding the Annex, the parties decided to apply a price formula for the period 2018-2020, serving for setting the price of coal supplies, also in 2021.

Given that the parties have made the abovementioned arrangements before 30 June 2019, the condition subsequent, notified by the Company in current report No. 37/2016, was deleted from the Agreement.

Recommendation of the Management Board regarding payment of dividend from the 2018 net profit

On 14 May 2019, the Management Board of LW Bogdanka S.A. adopted a resolution on a motion to the General Shareholders Meeting regarding distribution of net profit for 2018 and payment of dividend for the shareholders of the Parent. In accordance with the resolution the Management Board intends to allocate the amount of PLN

25,510,192.50 to dividend, which represents PLN 0.75 per share.

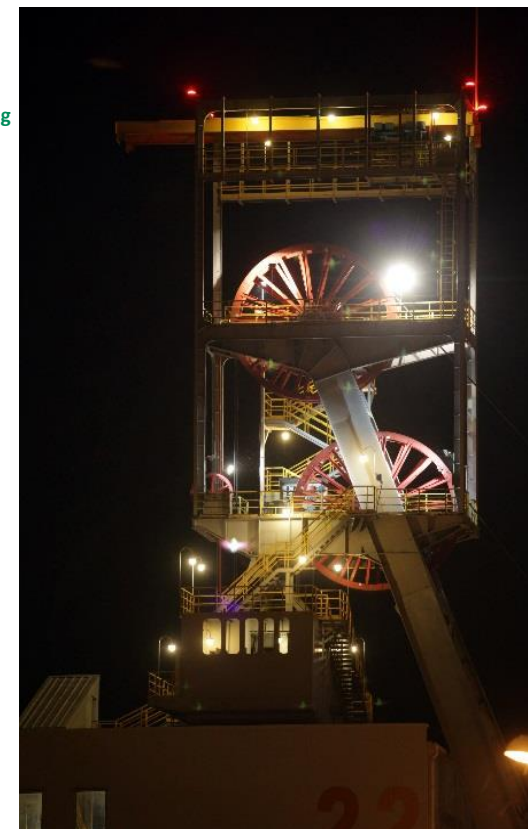
On 15 May 2019, the Company's Supervisory Board positively assessed the motion of the Management Board to the Annual General Shareholders Meeting.

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

On 15 May 2019, the Company's Supervisory Board adopted resolutions on the re-appointment of the existing members of the Company's Management Board to the new term of office.

Convening the Annual General Shareholders Meeting of LW Bogdanka S.A.

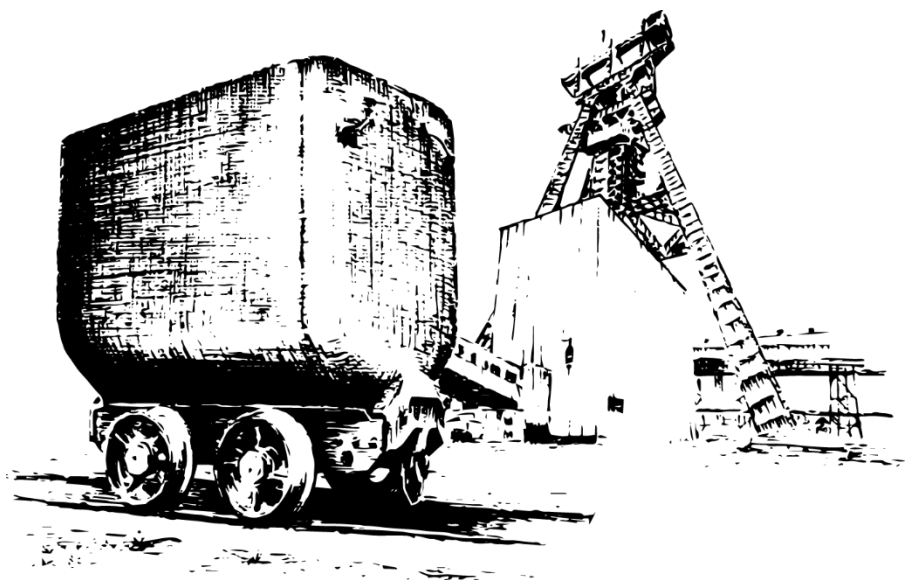
On 17 May 2019, the Management Board of LW Bogdanka S.A. convened the Annual General Shareholders Meeting of Lubelski Węgiel Bogdanka S.A. to take place on 18 June 2019.





2

Organisation and
business activities
of the LW Bogdanka
Group



Lubelski Węgiel Bogdanka Spółka Akcyjna

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

Legal form and regulations which provide a basis for the Company'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:

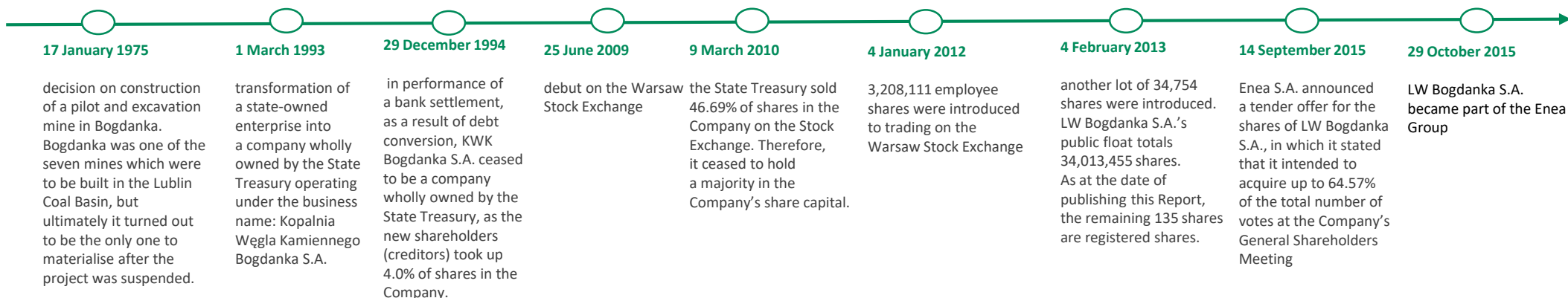
- Act of 15 September 2000 – Commercial Companies Code (Dz. U. 2019.505, as amended)
- Act of 9 June 2011 – Geological and Mining Law (Dz. U. 2019.868)

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

The Company may operate in Poland and abroad.

The Company was established for an indefinite term.

History in brief





THE LUBELSKI WĘGIEL BOGDANKA GROUP



All above subsidiaries comprising the LW Bogdanka Group are subject to consolidation.

As at the date of submitting the Report, LW Bogdanka S.A. also holds 22.41% of shares in Kolejowe Zakłady Maszyn KOLZAM S.A., with a share capital of PLN 750,000 (bankruptcy proceedings were discontinued, the company does not conduct business). The ownership title to the shares was transferred to the Parent as security for financial settlements for the provision of transport services. That company has not been included in the consolidation.

Changes in the structure of the LW Bogdanka Group

In Q1 2019 there were no changes in the structure of the LW Bogdanka Group or the Group's organisational and capital relations to other entities. In the period in question there were no changes to the structure of the LW Bogdanka Group that would result from merger of business entities, acquisition or sale of the Group's undertakings, long-term investments, division, restructuring or discontinuation of activities.





Development strategy of LW Bogdanka S.A.

On 9 February 2017 the Parent announced its Development Strategy of LW Bogdanka S.A. - Mining Area of the Enea Group until 2025 (under the 2030 framework), including the dividend policy. The adopted strategy reflects the 2030 Development Strategy of the Enea Group as it covers, among other things, activities to meet the rising demand for thermal coal on the side of power and cogen plants from the Generation Area of the Enea Group and to implement 10 strategic initiatives planned by the Enea Group for the Mining area.

Vision

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

Mission

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

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

- **baseline scenario**, which assumes average production at a level of about 8.5 million tonnes over 2017-2025 and capital expenditure amounting to PLN 3.7 billion (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.

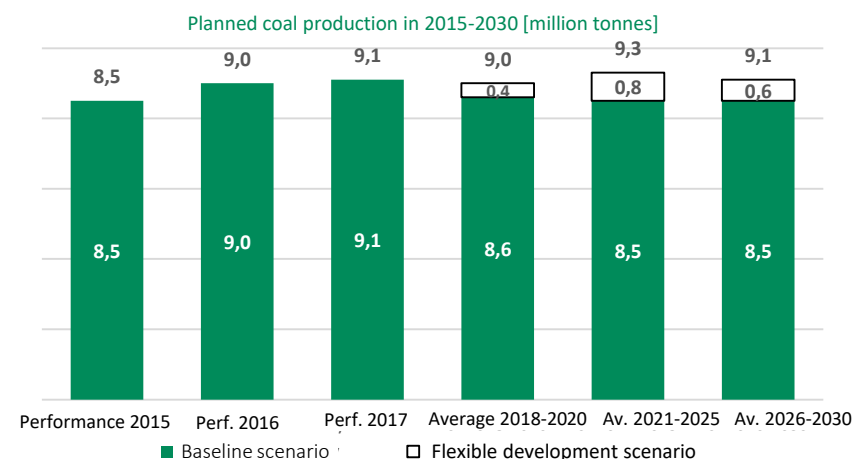
Until 2030, a key direction for the Parent will be the development of infrastructure in the Ludwin Mining Area (Ostrów deposit) - according to preliminary estimates the Parent will spend there about PLN 1.2 – 1.3 billion (in real terms) after 2025. This project is to ensure that the shaft complex in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

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 IFRS EU.





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 2021:

- extension of the Water Treatment Station (WTS) – due to the technological needs of LW Bogdanka S.A., there are plans to continue this task in 2019 (cooling fire-extinguishing water tank and handling the concentrate)
- modernisation of boiler house in Bogdanka - as part of this task it is planned in 2019 to construct of the transformation station, as well as switchgear for the purposes of Bogdanka boiler house and switchgear connector
- 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 - this year a concept of assumptions for 2020-2021 is to be prepared
- Modernisation of the main heat line Bogdanka - łączna - 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 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
- repair and adaptation services for the office and administrative infrastructure on the surface.

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

In 2019 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.

Development strategy 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.





Investment projects completed in Q1 2019

In Q1 2019, LW Bogdanka S.A. performed the planned investment tasks. In this respect, in Q1 2019, capital expenditure for non-current assets totalled PLN 79,378,000.

The plan for 2019 includes groups of tasks: development investments, including the purchase of machines and equipment, their modernisation and repairs, enlargement of the mining waste neutralization facility as well as operational investments, including construction and upgrade of excavations in the Bogdanka, Nadrybie, and Stefanów Fields, etc.

DEVELOPMENT INVESTMENTS AND OVERHAULS LW BOGDANKA S.A.



Ostrów Field – design works – in 2019 a programme & zoning concept along with the concept of monitoring natural environment were developed; an application was filed to the Regional Environmental Protection Directorate in Lublin for environmental approval for the pursued investment. In Q1 the purchases of land for a new extraction field were continued.

Machine park

Purchase and assembly of new machines and equipment – in Q1 2019 LW Bogdanka S.A. purchased and assembled machines and equipment for a total amount of PLN 1,344,000, including costs of assembling. The purchases included electric-accumulator manoeuvring tractor and drawbar scraper conveyor.

Purchases of finished goods (machines and equipment) – the finished goods worth PLN 8,468,000 were purchased. The most important items include: ready-made transportation devices (including hydraulic stationary hoist WH 5/2.5), hydraulic pumps and aggregates (including pneumatic membrane pumps and screw compressor), electric devices (including flameproof transformer stations, motors, electric equipment), and other ready-made devices (including anchor pullers, dust meters, pallet wrapper, forklift truck, hydraulic drillers), manoeuvring locomotive and computer hardware and software.

Purchases of finished goods (machines and equipment) – the finished goods worth PLN 18,223,000 were purchased. The most important ones included: ready-made transportation devices (including hoists, HUPA, running gear for containers, mobile lifting equipment used for lifting people at work), hydraulic pumps and aggregates, electric devices (including motors, electric equipment), and other ready-made devices.

MCCP replacement projects – PLN 873,000 was spent for the casing of electromagnetic separators in MCCP.

OPERATIONAL INVESTMENTS LW BOGDANKA S.A.



New excavations and upgrade of existing ones

New excavations were built in accordance with the applicable Mining Works Schedule. The total length of the gallery excavations as part of investments in Q1 2019 was equal to 6.7 km with the value of PLN 43,302,000.

Modernisation of workings with respect to reconstruction of galleries and vertical excavations was performed in accordance with the adopted schedules. Their total value amounted to PLN 19,137,000.

ICT

Alarm and monitoring system – performed works included automatic monitoring and extinguishing installation in fuel chamber, worth in total PLN 155,000.

Smart Mine Project – the implementation of IT system regarding project management in the Company was continued to be performed as part of this task.

Other: Construction of facilities on the surface – a tower crane was constructed; parking bay for the marshalling railway.



Investment projects completed in Q1 2019

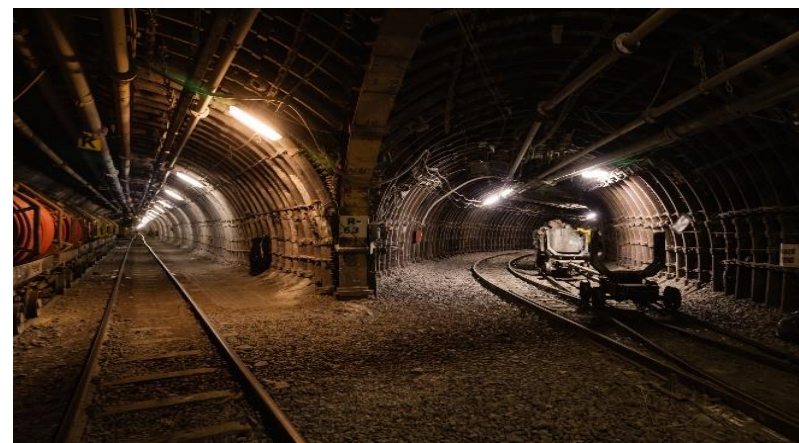
Selected items of capital expenditure in the LW Bogdanka Group

[PLN '000]	PTE 2019	Performance Q1 2019	Performance Q1 2019 [%]
New excavations and upgrades of existing ones	378,273	62,439	16.5%
Maintenance of machinery	86,608	9,744	11.3%
Obtaining new licences	6,850	-	0.0%
Ostrów Field	7,805	569	7.3%
Longwalls	30,000	-	-
Other development investments	39,006	5,493	14.1%
ICT	7,568	526	7.0%
Administration	20	-	-
Transport	2,186	-	-
Other	7,870	607	7.7%
Total CAPEX in LW Bogdanka S.A.	566,186	79,378	14.0%
Łęczyńska Energetyka sp. z o.o.	13,000	347	2.7%
Other subsidiaries	1,312	279	21.3%
Total CAPEX at the LW Bogdanka Group	580,498	80,004	13.8%

Capital expenditure for excavations in Q1 2019

Excavations and works - total	Depreciation method	Length [m]	Value of the coal from the excavations [PLN '000]	Total value of capital expenditure [PLN '000]	Value of capital expenditure [PLN '000]
Longwall excavations:	natural	5,532.9			
Basic excavations	linear	1,114.0	25,500.4	87,939.8	62,439.4
Reconstructions	linear / natural	674.7			

In Q1 2019, 7,206.9 m of roadway excavations were made. Reconstruction of the excavations were continued in accordance with the schedules. The total expenditure on reconstruction of the corridor workings in that period amounted to PLN 19,137,000. The total expenditure incurred on the new excavations and on the modernization of the existing ones amounts to PLN 43,302,000. Fractions are not included in the values indicated in the tables, because they are directly recognised in the costs, but are included in the total length. In this case, this is about 560 m.





Coal prices on the international market

CIF ARA coal prices

- USD 74.4/tonne - the average coal price (CIF ARA) in Q1 2019, i.e. -13.6% (compared to USD 86.1/tonne in Q1 2018)
- comparing to the average coal price (CIF ARA) in Q4 2018, (USD 91.6/tonne), it's a decrease by 18.8%

Inventories in ARA ports

- 6.6 million tonnes of coal inventories at the end of March 2019 in the ARA ports – decrease by 0.1 million tonnes compared to December 2018 (6.7 million tonnes)

Prices in the world's main ports

- The average coal price FOB Baltic Ports in Q1 2019 amounted to USD 71.0/tonne, i.e. -14.3% (USD 82.8/tonne) compared to Q1 2018
- comparing to the average coal price in Q4 2018, i.e. USD 85.6/tonne, it's a decrease by 17.1%

China

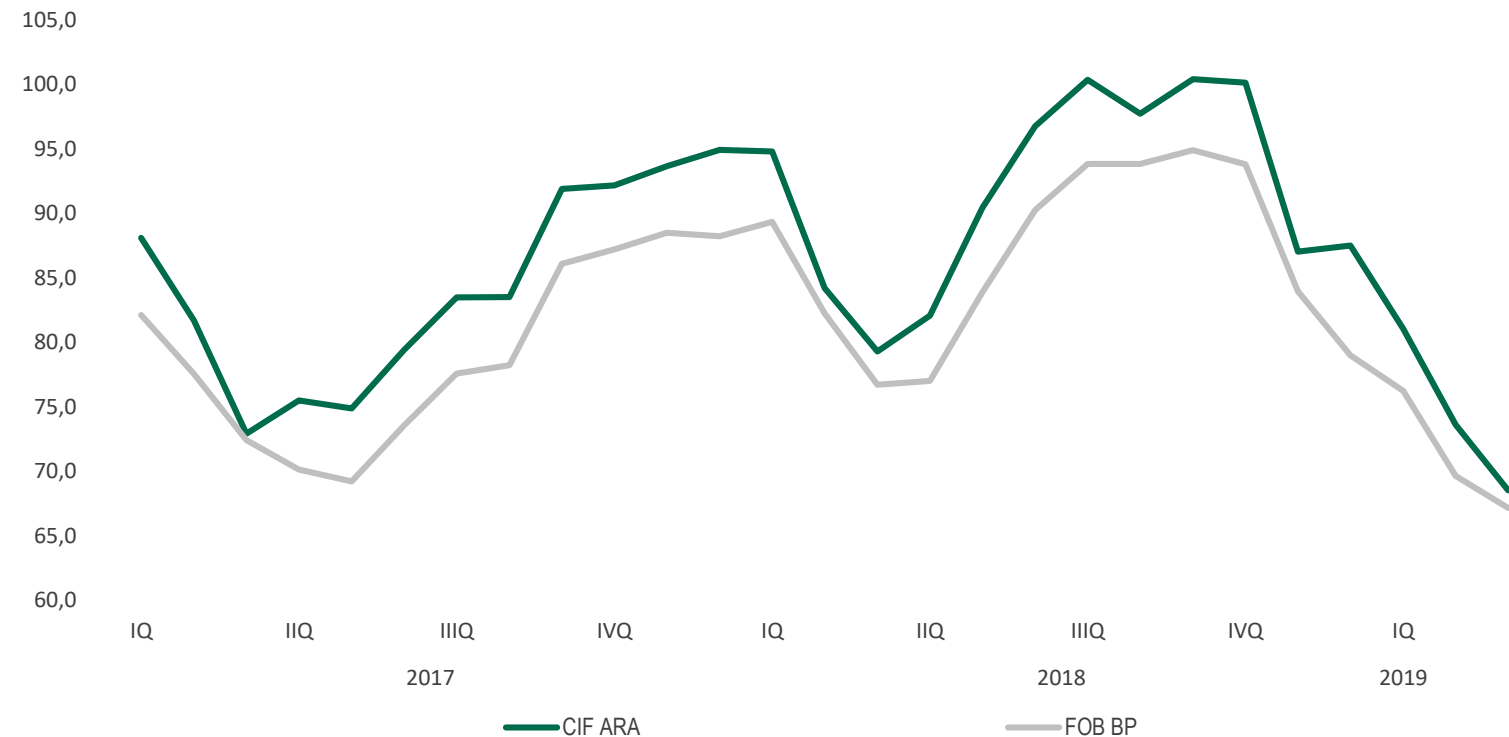
- approx. 812.6 million tonnes of coal were produced in Q1 2019, +0.8% compared to Q1 2018 (806 million tonnes)
- imports in Q1 2019 were 74.6 million tonnes – a decrease by approx. 0.5% compared to Q1 2018 (75 million tonnes)

USA

- production in Q1 2019 – 154.5 million tonnes, -10.7% compared to Q1 2018 (173 million tonnes)
- consumption in Q1 2019 – 142.3 million tonnes, -9.4% compared to Q1 2018 (157 million tonnes)
- exports in Q1 2019 – 21.4 million tonnes of hard coal, -9.7% y/y

Russia

- production in Q1 2019 – 108 million tonnes, +0.9% y/y
- exports in Q1 2019 – 44.9 million tonnes, +1.1% y/y





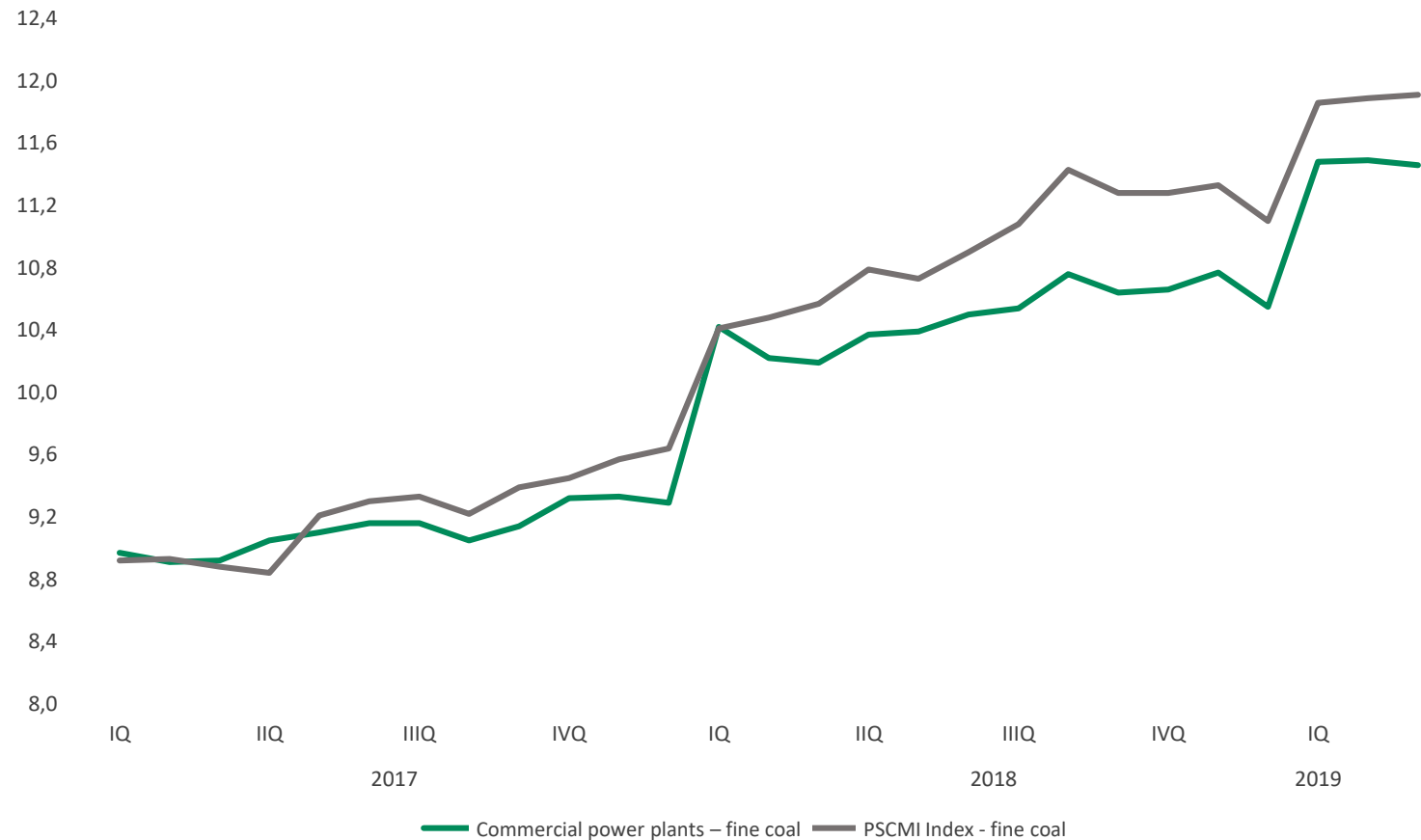
Fine thermal coal prices in the domestic market

Fine thermal coal prices

- in Q1 2019, the average annual price of fine thermal coal for commercial power plants was PLN 11.48 per GJ, the change dynamics was ca. 11.7% y/y
- comparing to Q4 2018 (PLN 10.66 per GJ) – an increase of 7.7% was recorded
- average heating value of fine coal for commercial power plants was about 21.6 GJ

Prices based on the PSCMI index

- in Q1 2019 the average price based on the PSCMI index was approx. PLN 11.89 per GJ, which compared to average price in Q1 2018 (PLN 10.49 per GJ) represents an increase by approx. 13.4%
- comparing to Q4 2018 (PLN 11.24 per GJ) – an increase of approx. 5.8% was recorded





Production, sales and inventories of thermal coal as at the end of Q1 2019 in the domestic market

Production of thermal coal in Poland

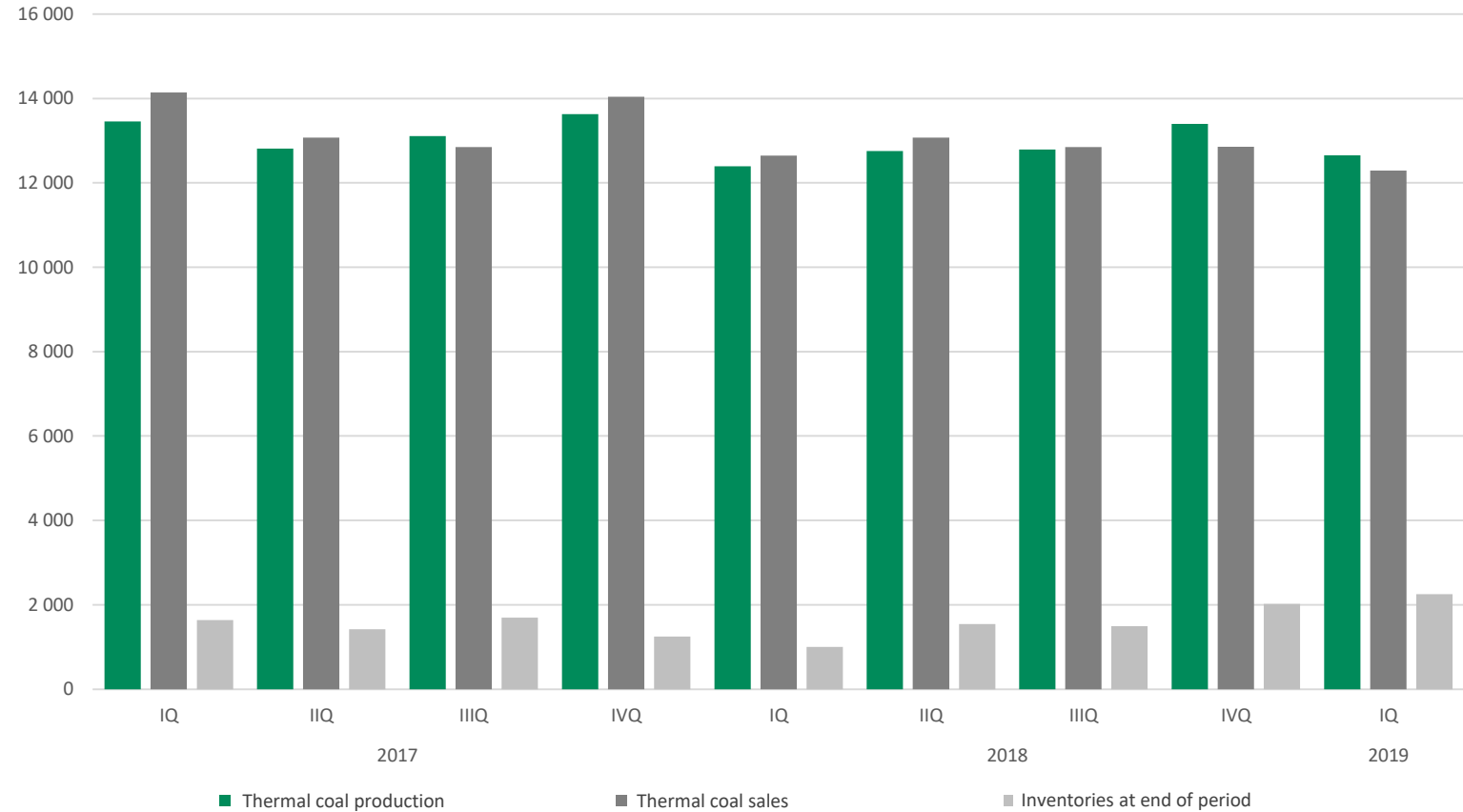
- In Q1 2019, the production of thermal coal amounted to about 12.7 million tonnes, which represents an increase of 2.4% y/y

Sales of thermal coal market in Poland

- sales in Q1 2019 amounted to about 12.3 million tonnes, including about 8.1 million tonnes of thermal fine coal sold to commercial power plants
- sales of thermal coal decreased by about 2.4% in comparison to Q1 2018

Inventories of coal in Poland

- the level of thermal coal inventories at the end of Q1 2019 totalled 2.3 million tonnes
- inventories went up by about 130.0% in comparison to the level as at Q1 2018





Production, sales and inventories of thermal coal as at the end of Q1 2019 in the domestic market

Key customers of thermal coal in Poland

Commercial power plants are the main recipients of thermal coal in Poland. They bought about 8.1 million tonnes of thermal fine coal. The most important customers from the commercial power industry are as follows:

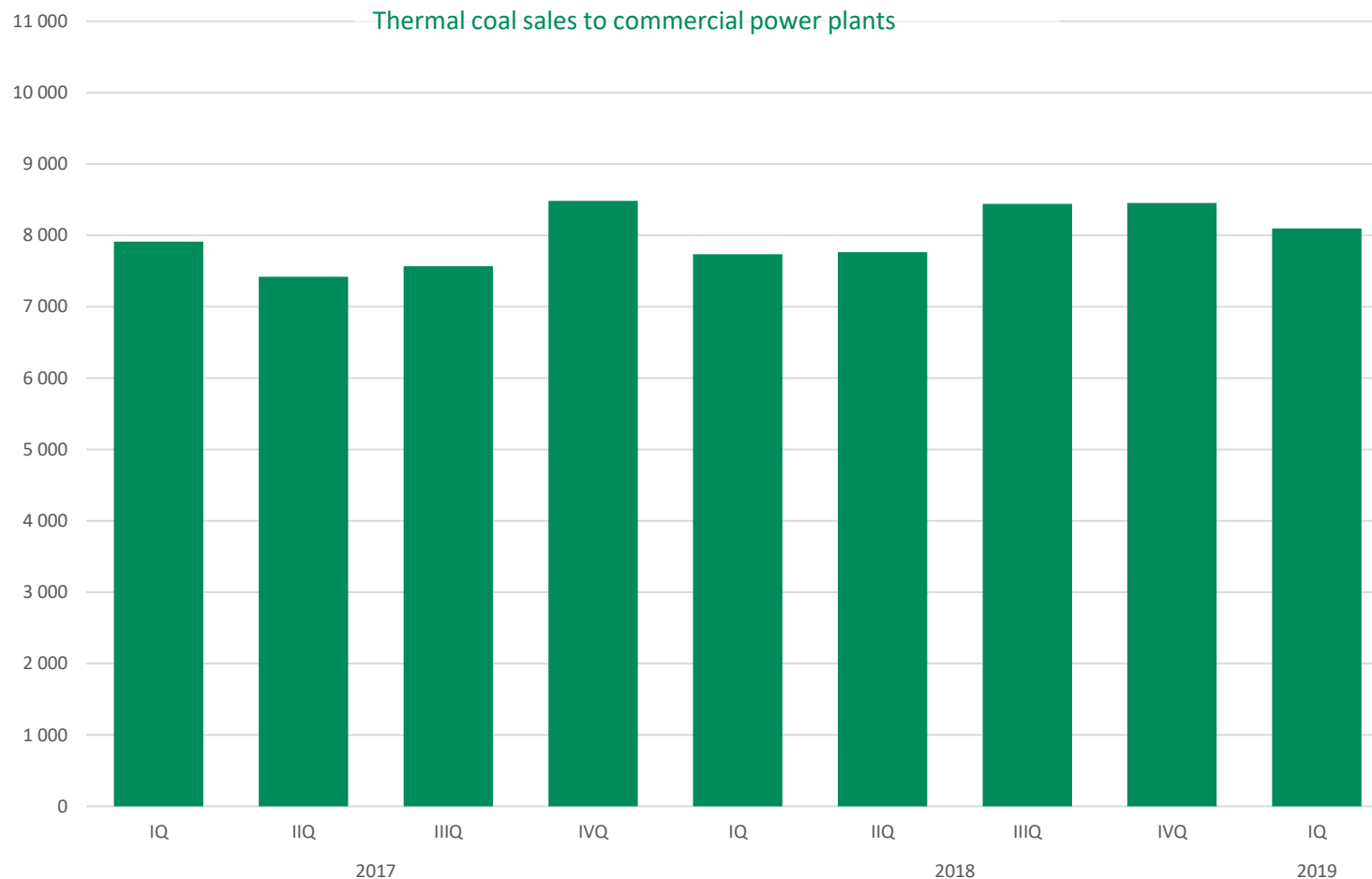
- Tauron
- PGE
- Enea
- PGNiG
- ENGIE
- ENERGA

Sales of thermal coal market in Poland

In January-March 2019, about 12.3 million tonnes of thermal coal were sold in Poland. 12.3 million tonnes of coal were delivered to the domestic market, including 8.1 million tonnes of thermal fine coal.

Export of coal

About 1.0 million tonnes of coal were exported, including approx. 0.3 million tonnes of thermal fine coal.





Electricity generation in Poland

Electricity generation - total

- In Q1 2019, the production of electricity totalled about 42,712 GWh, which represents a decrease of 823 GWh (-1.9%) versus the same period of 2018.

Power generation from coal

- Coal was the main fuel used to produce electricity. In Q1 2019 it was used to produce 31,581 GWh, which represents a decrease by 2,535 GWh (-7.4%) compared to Q1 2018.
- In Q1 2019 coal accounted for 73.9% of total electricity production in Poland, but its share in the fuel mix went down by 4.5 p.p. in comparison with Q1 2018.

Power generation from hard coal

- Hard coal served for producing electricity of 20,568 GWh (down by 5.8% compared to Q1 2018).

Power generation from lignite

- Lignite was used to produce 11,013 GWh of electricity (10.3% less than in Q1 2018).

Power generation by wind farms

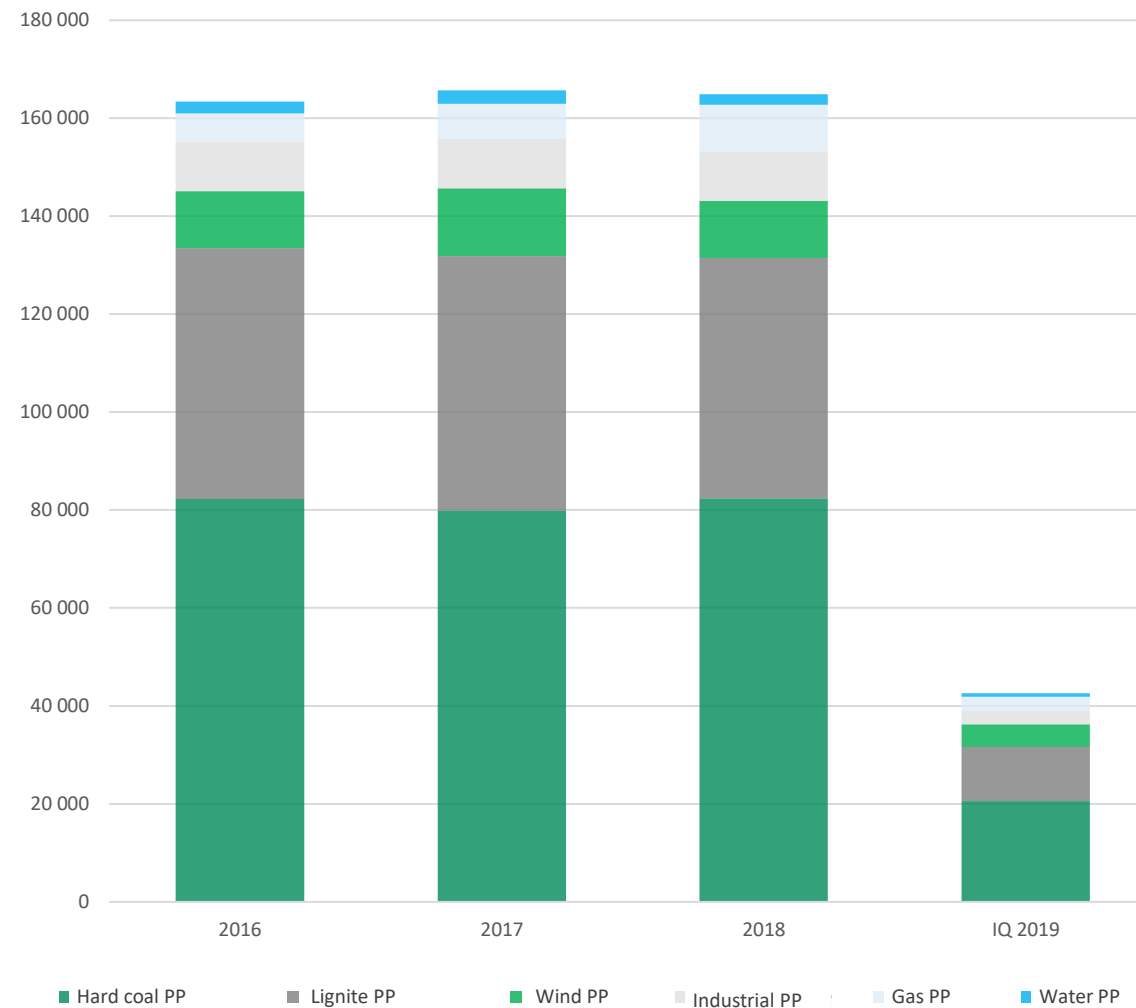
- Wind farms produced 4,652 GWh of electricity, which represents an increase by 46.8% in comparison with Q1 2018. Wind made up about 10.9% of electricity production. Production of energy in wind power plants achieved the highest growth dynamics y/y.

Power generation by gas-fired power stations

- Gas power plants produced 2,816 GWh of electricity, which represents an increase by 8.4% compared to Q1 2018.

Electricity consumption on the domestic market

- In Q1 2019, the consumption of electricity totalled 42,712 GWh, which represents a decrease by 625 GWh (-1.4%) versus the same period of 2018





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 2018. Below please find risk factors which the Group sees as the most important risk factors in the perspective of the following (second) quarter.

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

Plans of the Ministry of Economy concerning enterprises operating in the hard coal mining and power engineering sector have a significant influence on the market position of the LW Bogdanka Group. A "Draft of Poland's energy policy until 2040" was adopted on 23 November 2018. The assumption of the draft is that Polish economy will continue to be based on hard coal. The annual consumption of hard coal in the commercial power sector will not increase, but due to higher demand for electricity the share of coal in the structure will change. The total share of coal in electricity production will stand at a level of approx. 60% in 2030. These assumptions give a positive sales perspective, which thus means retaining the production level by the Group.

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

The prices of thermal coal and raw materials alternative to thermal coal (crude oil, natural gas, renewable sources) are the main factors shaping the prices of raw materials on global markets, and consequently, on the domestic market. This is of key significance for the activities conducted 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 on this market and a necessity to increase the level of import. 2018 saw further price rises in the domestic market and a significant increase in coal imports, which was related to a lower supply in Poland and the necessity to supplement inventories by the power sector. Q1 2019 saw a slowdown with regard to the increases in the domestic market and price drops in the international market.

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

A material aspect of the operations conducted by the Company is the necessity to secure future extraction possibilities by providing access to new coal resources.

Restriction of the mining capacity may bring the following consequences: shorten the life of the mining plant and/or reduce the assumed level of extraction of hard coal, and therefore decrease future financial results of LW Bogdanka S.A.

As a result of measures taken so far by LW Bogdanka S.A., 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 LW Bogdanka S.A. 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. The application for the licence awaits processing. Currently the Court of Appeals has released the security for this area and the case may be given further course.

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 approx. 63% of employees (there are four trade union organisations at LWB associating approx. 70% of the employees). Strong position of the trade unions creates a risk that the costs of payroll 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 – Piława) 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. In the press release dated 29 March 2019, PKP Polskie Linie Kolejowe S.A. announced that it had signed with Budimex and Track Tec Construction agreements to continue works in the Dęblin-Lublin section.

According to another announcement of PKP PLK S.A. dated 15 April 2019, train traffic is to be resumed at the end of September 2019, on one track on the Lublin-Dęblin section further to Warsaw, and train traffic with two tracks used will be possible at the end of 2020.



Workforce changes

Employment at the Group

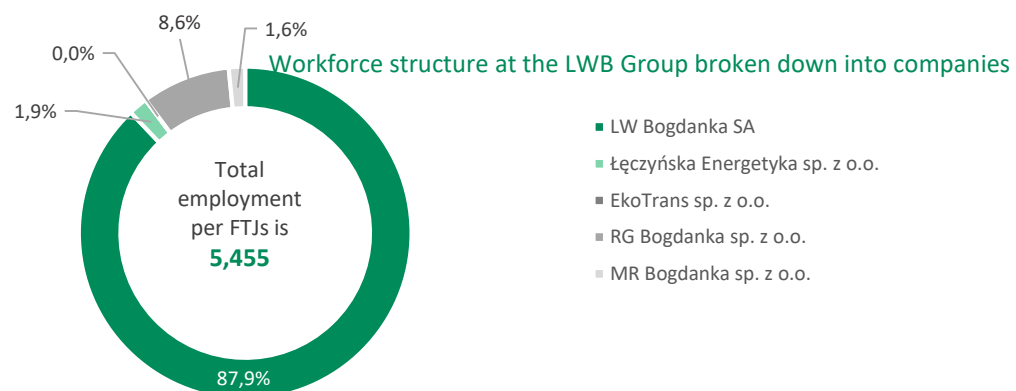
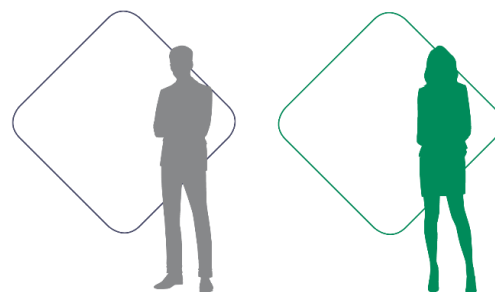
Q1 2019 brought a 1.3% increase in employment in the Group. The highest increase (in %) in FTJs was recorded in RG Bogdanka sp. z o.o.

Workforce of the Parent

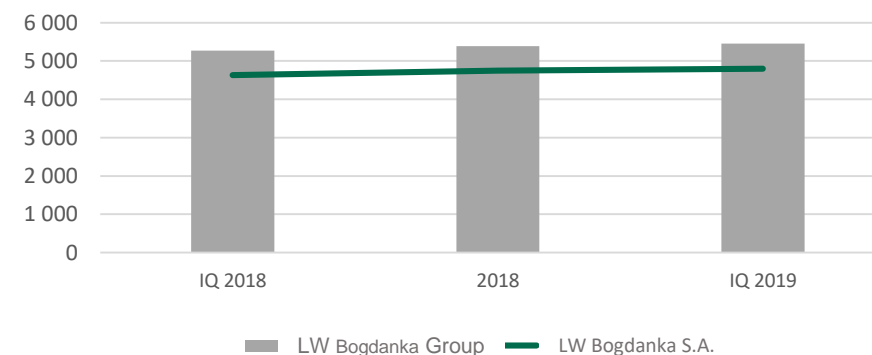
In 2019 the personnel employed at the Parent accounted for 87.9% of total employment in the Group. Blue-collar workers accounted for 85.7% of all employees. In comparison with Q1 2018 the number of underground staff went up by 161.0 workers, i.e. 4.8%.

Underground personnel constituted the main group employed in LW Bogdanka S.A., i.e. 73.8%.

In Q1 2019, 72 employees were hired to LW Bogdanka S.A., while 25 employees left the Company.



Workforce	31 Mar. 2018	31 Dec. 2018	31 Mar. 2019	Workforce structure at the Group	Change Q1 2019/ Q1 2018	Change Q1 2019/ 2018
Total						
Total workers	3,992.0	4,074.0	4,111.0	-	3.0%	0.9%
Underground workers	3,061.0	3,131.0	3,164.0	-	3.4%	1.1%
Surface workers	931.0	943.0	947.0	-	1.7%	0.4%
Full-time employees underground	316.0	362.0	374.0	-	18.4%	3.3%
Full-time employees on the surface	323.2	313.3	311.9	-	-3.5%	-0.4%
Total underground	3,377.0	3,493.0	3,538.0	-	4.8%	1.3%
LW Bogdanka S.A.	4,631.2	4,749.3	4,796.9	87.9%	3.6%	1.0%
RG Bogdanka sp. z o.o.	331.1	318.0	470.0	8.6%	41.9%	47.8%
MR Bogdanka sp. z o.o.	216.1	220.4	86.5	1.6%	-60.0%	-60.8%
EkoTrans Bogdanka sp. z o.o.	1.0	1.0	1.0	0.0%	0.0%	0.0%
Łęczyńska Energetyka sp. z o.o.	93.5	97.0	100.5	1.9%	7.5%	3.6%
LW Bogdanka Group	5,272.9	5,385.7	5,454.9	100.0%	3.5%	1.3%





Social matters

The dominant values cherished by the LW Bogdanka Group are as follows: honesty, professionalism and responsibility. These values ensure the harmonious development of the Company, which pursues its economic goals in line with social expectations and environmental requirements.

Since 2018 the Company has been implementing the "Corporate Social Responsibility Strategy for 2018-2021"; the preparation process of the Strategy followed a cycle of dialogue sessions with key stakeholders of the Company based on the AA1000 standard (March 2018). The updated approach to social responsibility management may be defined in a nutshell as an "Increase in the Company's value and the development of the local community based on the principles of sustainable growth, transparency and education for various groups". Key goals of the Strategy include:

- 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,
- Follow transparent and responsible management practices.

The CSR activities are implemented by the LW Bogdanka Group in accordance with recommendations of the PN-ISO 26000 standard which contains Guidance on Social Responsibility, defined as the responsibility of the organization for the impact that its decision and activities have on the society and the environment, through transparent and ethical behaviour in key areas, such as:

- corporate governance
- human rights
- work practices dialogue session with trade unions
- environment
- fair operating practices
- consumer-related matters
- social involvement and development of the local

community.

As part of the monitoring of the CSR Strategy, we review the key groups of stakeholders and the current and desired forms of dialogue with them. In the case of these key groups, the communication is very regular, direct and often at the highest level, which enables consultation of relevant matters on a regular basis.

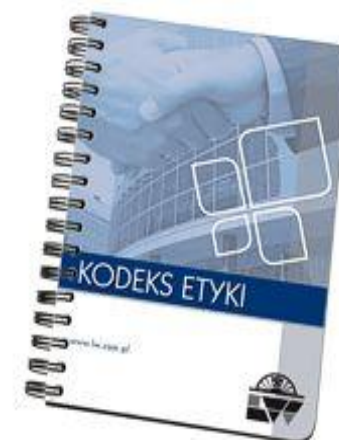


Management approach

The Integrated Enterprise Risk Management System (ERM) has been in place since January 2018. This system has been implemented as part of the integration process within the Enea Group, in line with the relevant regulations applicable in the Group, on the basis of applicable "Secondary Documents", including:

- Corporate Risk Management Policy at the Enea Group
- Corporate Risk Management Methodology at the ENEA Group.

Integrated Management System concerning the Quality Management System, Environment Management System as well as the Occupational Health and Safety Management System are in compliance with the following standards: ISO 9001:2015, ISO 14001:2015, PN-N-18001:2004. In May 2018 a recertification audit took place at the Company, following which the team of auditors confirmed that the management system in place in LW Bogdanka operates efficiently, allows it to achieve the set objectives, ensures completion of the pursued policy and the ability to comply with legal, regulatory and contractual requirements. Strengths included the management's involvement in creating rules for the safe organisation of the workplaces and the use of new applications and IT systems.



Ethics as component of the organisational culture

"LW Bogdanka S.A. is a company with an extensive organisational culture, an effective ethical programme, a consistent system of values, and, above all, a mission with the common good as its main purpose. The Company's competitive position in the marketplace and the continued growth of trust in the relations with various groups of stakeholders confirm that LW Bogdanka S.A. was right to choose and promote management through values," says dr Monika Baczeńska-Ciupak, Department of Ethics, Faculty of Philosophy and Sociology, Maria Curie-Skłodowska University (UMCS) in Lublin. The Code of Ethics established in 2011 is updated to ensure that it reflects the most recent situation in the Company and in the industry as a whole. The documents which have been in effect since 2015 are: "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".

In November 2018 Code of Ethics was introduced in the LW Bogdanka Group, and it applies to all subsidiaries. Education 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 recognised in LW Bogdanka S.A. In Q1 2019, as part of the staff induction training and as part of the occupational health and safety training for team leaders, the Ethics Representative provided training in the Code of Ethics to all newcomers.

The Ethics Representative will also be involved in the actions carried out in the Compliance field. The Compliance system and procedures are now being implemented at the Company. As part of the Compliance policy internal policies will be implemented and monitored.

Social matters

Effectiveness of safety management at the workplace

At LW Bogdanka S.A., matters related to occupational health and safety (OHS) management are part of the Integrated Health and Safety, Quality and Environment Management System at LW Bogdanka S.A.

The Company maintains a quality management system compliant with the requirements of the relevant reference standards, which has been confirmed by audits carried out in the organisation, including an audit carried out by PRS Certyfikacja S.A. in May 2018.

Several (facultative) OHS solutions were implemented or kept in place in order to improve employee safety at the Company. The most important ones include: placement of telecardiographs for independent heart rate monitoring across the mine, ensuring availability of a defibrillator and "Kazik" machines for collection of personal protective equipment (PPE), and implementing the "Work Safety Improvement Programme - 2nd edition", which covers a number of measures and events to increase knowledge of OHS, support preventive action and promote initiative to improve the level of safety at the mine, including the "Safer Workplace" and prophylactic programmes

The programme "Safer Workplace! - employee initiatives box" is a programme launched in January 2018 with the main assumption to enable employees to submit their own suggestions and ideas for improvements in the field of occupational health and safety. Importantly, the ideas do not have to be inventive and may concern various aspects of mine work. To submit an idea, a standard form must be completed, and then put in a special box

or sent by e-mail. The proposals are assessed by a committee in a variable composition, appointed on the basis of an expert knowledge key by the Vice-President of the Management Board in charge of Employee and Social Affairs. The initiatives which are positively assessed and approved of by the Management Board are subsequently implemented. Participation in the programme is the simplest way to share one's ideas based on the experience gained while working in the mine. Active participation in the project allows the overarching goal of improving work to be achieved, thus ensuring the highest level of safety for the staff.



Close to nature

Effective environmental management is based on the Integrated Health and Safety, Quality and Environment Management System. It complies with PN-EN ISO 9001:2015, PN-EN ISO 14001:2015, PN-N-18001:2004 and, additionally, as regards health and safety, with the British standard BS OHSAS 18001:2007.

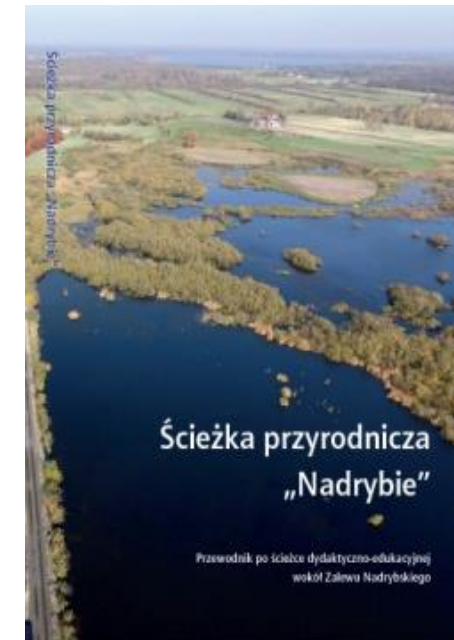
Since 2015, the Company, in cooperation with the Polish Society for the Protection of Birds (OTOP), has promoted the new "Nadrybie" educational path. It runs around the Nadrybie Lake – and artificial reservoir created as a result of mining works. The "Nadrybie" path is located within the Łęczna Lake District Landscape Park, in an area with particular natural value which is protected by the Natura 2000 network.

With the signposts and guidebook it is easy for the interested individuals to navigate their way along the path. The place is very popular among the locals, especially primary school children, who appreciate its educational value, and the possibility of having a walk amidst nature.

Since 2018 the LW Bogdanka Group has been supporting OTOP in a project pursued with a view to 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.

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.

As part of the projects the water level in the region of Krowie Bagno (in Polesie, in the vicinity of the former agricultural entity, PGR Krychów) will be subject to regulation and stabilisation works. For this purpose, water gates will be installed on drainage ditches for the disappearing Łaskie lake and the molinion meadows in its direct neighbourhood. Plans include the construction of three water gates for meltwaters to be stopped and accumulated, and water to be stopped in the spring season and at the beginning of summer.





Social matters

Relations with the local community

From the very beginning of its existence, the LW Bogdanka Group has been supporting its immediate surroundings and the local community, inter alia, by subsidising a range of local 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 Q1 2019 the Parent gave donations and in-kind contributions for a total amount of PLN 90,500 towards the Children's Hospital in Lublin or those in care of Caritas.



Inter-Sector Cooperation for Life and Health

In 2019 an agreement is in effect, signed by the following entities: LW Bogdanka S.A., the Solidary Miners Foundation, and the Regional Blood Centre in Lublin. The trilateral agreement is dedicated to the promotion of voluntary blood donation, blood transfusion and registration with the bone marrow donor bank. The goal of the agreement is to conduct an education and volunteer program consisting in the Company's

staff and the local community becoming involved in blood and bone marrow donation campaigns. This is the first initiative of this kind in the region, combining the efforts of the public, business and non-governmental sectors to support the noble idea of blood and bone marrow donation and transfusion.



The Solidary Miners Foundation

The Solidary Miners Foundation which operates at the LW Bogdanka Group addresses the needs of the Company's mining environment and the needs of the local mining environment. The Foundation provides help to miners in need (e.g. following an accident), and to miners' families that for various reasons have found themselves in difficult life circumstances, especially those who suffer from poverty or those who need ad-hoc support. The Foundation also responds to the needs of children raised in dysfunctional and poor families. The Foundation supports and promotes the development of talented young people from the local community. In Autumn 2016 the Foundation obtained the status of a public benefit organisation,

which proves its strong commitment and effectiveness when it comes to accomplishing social benefit objectives. This has enabled the remittance of 1% of tax to the Foundation. Acting with an aim to fulfil its statutory objectives, the Foundation has subsidised surgeries, medical procedures, treatment, and rehabilitation, purchase of medical equipment and devices (a wheelchair, equipment for testing vibrations, a defibrillator, a lift for disabled persons, barrier-free environment, etc.) and access-friendly infrastructure (such as bathrooms and barrier-free architecture) for the disabled.



CSR initiatives carried out in 2019

In 2019, as each year, the LW Bogdanka Group gets involved in initiatives that increase the knowledge and improve skills related to first aid. An example of such an initiative is the "Young Rescuers" contest, organised every year at the Jan and Kazimierz Bogdanowicz School Complex in Nadrybie for students of schools in the Poviát.

C-Zone Education – there is a dedicated educational zone at the mine, where the Company's employees provide the stakeholders (mainly children and youth) with the information about the traditions, customs and the characteristics of work at the mine.

Cooperation with the Occupational Therapy Workshop in Janowica, whose participants regularly display their artistic creation at the mine and during the Christmas season organise handicraft fair.

Employee's involvement in social initiatives

Charity fundraising on Bogdanka's premises – in 2019, funds were collected for an employee of LW Bogdanka, who had experienced a serious accident and is in a coma now.

Positive Twist – a permanent campaign involving collection of screw-on bottle caps for the children and youth from the Little Prince Hospice in Lublin. In 3 months of 2019 we collected several tens kilograms of plastic caps. The action has become a permanent and popular event organised at Bogdanka. It makes everyone realise that simple habits, such as collecting plastic caps, can help achieve great charitable purposes.

Gold Rush – the project involves "getting rid" of small coins (1, 2, and 5 grosz) sitting in the wallet. Participation in the project is the initiative of the mine's Z. Gola Honorary Blood Donors Club of the Polish Red Cross.





3

Financial standing



Production, sales and inventories of coal

Production, sales of commercial coal of the Company

['000 tonnes]	Q1 2018	Q1 2019	Change	Change %
Gross coal extraction	3,692	3,911	219	5.9%
Production of commercial coal	2,095	2,532	437	20.9%
Yield (%)	56.7%	64.7%	8 p.p.	14.1%
Sale of commercial coal	1,967	2,365	398	20.2%
New excavations (km)	9.0	7.9	-1.1	-12.2%

Inventories of commercial coal of the Company

['000 tonnes]	31 Mar. 2018	31 Dec. 2018	31 Mar. 2019	Change [%] 31 Mar. 2019 / 31 Dec. 2018	Change [%] 31 Mar. 2019 / 31 Mar. 2018
Inventories of coal	152	88	255	189.8%	67.8%

Structure of commercial coal production

[%]	Q1 2018	Q1 2019
Fine coal	99.4%	99.4%
Nut coal	0.1%	0.0%
Pea coal	0.5%	0.6%
Total	100.0%	100.0%

Production of coal

- (+) gross extraction of coal in Q1 2019 increased by 5.9%, i.e. 219,000 tonnes.
- (+) production of commercial coal in Q1 2019 was 2,523,000 tonnes, i.e. more by 437,000 tonnes (+20.9%) than in the same period of 2018.
- (+) yield for Q1 2019 was 64.7% compared to 56.7% for Q1 2018.

Sale of coal

- (+) the sales of coal in Q1 2019 increased by 20.2% compared to Q1 2018.

Inventories

- (+) at the end of Q1 2019, the level of coal inventories amounted to 255,000 tonnes, which means an increase by 167,000 tonnes compared to the level as at 31 December 2018
- (+) the level of coal inventories presented at the end of Q1 2019 corresponds approximately to 8 days of commercial coal production (on the basis of average daily production for three months).
- (+) the current level of inventories of coal is a result of the achieved coal production and realised coal sales.
- (+) the level of inventories allows the mine to operate safely in the event of problems with coal production.

Structure of commercial coal production

- (+) higher share of the production of fine coal sold to industrial customers.
- (-) low share of nut coal and pea coal in the production structure (assortment for individual customers) – in relation to the Regulation of the Minister of Energy of 27 September 2018 on the quality requirements for solid fuels, the Parent is obliged to provide customers with a certificate of coal quality, which involves higher costs and lower profitability. This led to reducing sales to retail customers.



Revenue and key customers of the LW Bogdanka Group

Dynamics of changes in product range with respect to revenue

[PLN '000]	Q1 2018*	Q1 2019	Change	Change %
Sale of coal	385,798	526,277	140,479	36.4%
Other activities	8,887	8,777	-110	-1.2%
Sale of goods and materials	4,012	5,733	1,721	42.9%
Total	398,697	540,787	142,090	35.6%

*data after presentation adjustment

Structure of revenue

[%]	Q1 2018*	Q1 2019
Sale of coal	96.8%	97.3%
Other activities	2.2%	1.6%
Sale of goods and materials	1.0%	1.1%
Total	100.0%	100.0%

*data after presentation adjustment

Geographical structure of revenue

[PLN '000]	Q1 2018	Structure	Q1 2019	Structure
Domestic sales	398,636	100.0%	540,750	100.0%
Foreign sales	61	0.0%	37	0.0%
Total	398,697	100.0%	540,787	100.0%

Revenue

(+) in Q1 2019, the Group generated revenue in the amount of PLN 540,787,000, which represents an increase by 35.6% compared to Q1 2018.

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

(+) increase in sales volume by 20.2%

(+) increase in price

Revenue on other operations

In Q1 2019 revenue on other operations (which includes revenue of subsidiaries) were PLN 8,777,000 (1.6% of total revenue), compared to PLN 8,887,000 (2.2% of revenue) in the analogous period of 2018 (down by 1.2% y/y). A significant share in that group of revenue was held by:

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

Higher value of revenue on sales of goods and materials is a consequence of higher scrap sales (i.e. lining recovered from closing galleries, which cannot be regenerated and reused).

Geographical structure of revenue

The activities of the Group are primarily concentrated in Poland. In Q1 2019 and in 2018 the exports of goods and products included primarily sale of coal. It was 37,000 tones in Q1 2019 and 61,000 in the same period of 2018.

Key customers

More than 90% of coal sales (in terms of value) in Q1 2019 was effected between LW Bogdanka S.A. and Enea Wytwarzanie sp. z o.o., Enea Elektrownia Połaniec S.A., ENERGA Elektrownie Ostrołęka S.A., and Grupa Azoty Zakłady Azotowe Puławy S.A. In the analogous period of 2018 the share of the above customers was similar.

Key customers by share in revenue:

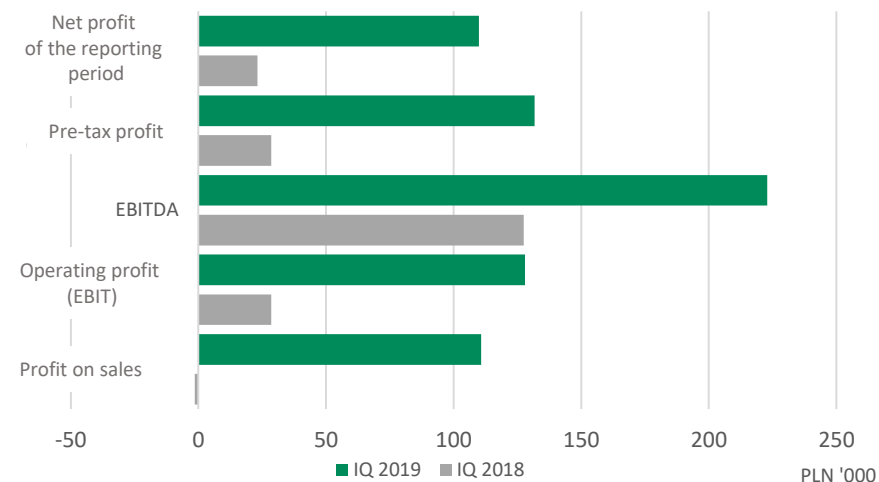
- Enea Wytwarzanie sp. z o.o. – Enea Group – approx. 65% of share in the revenue
- Enea Elektrownia Połaniec S.A. – Enea Group – approx. 20% share in the revenue



Financial highlights of the LW Bogdanka Group

Analysis of the consolidated income statement

[PLN '000]	Q1 2018	Q1 2019	Change
Revenue	398,697	540,787	35.6%
Costs of products, goods and materials sold, selling costs and administrative expenses	400,160	429,944	7.4%
Profit/(loss) on sales	-1,463	110,843	-
Gross sales margin	-0.4%	20.5%	20.9 p.p.
Other income	31,172	1,315	-95.8%
Other costs	429	326	-24.0%
Net operating profit	29,280	111,832	281.9%
Other profits/(losses) - net	-771	16,134	-
Operating profit (EBIT)	28,509	127,966	348.9%
EBIT margin	7.2%	23.7%	16.5 p.p.
EBITDA	127,476	222,860	74.8%
EBITDA margin	32.0%	41.2%	9.2 p.p.
Finance income	4,780	7,133	49.2%
Finance costs	4,760	3,295	-30.8%
Profit before taxation	28,529	131,804	362.0%
Pre-tax profit margin	7.2%	24.4%	17.2 p.p.
Income tax	5,360	21,835	307.4%
Net profit for the financial year	23,169	109,969	374.6%
Net sales margin	5.8%	20.3%	14.5 p.p.





Financial highlights LW Bogdanka Group

Revenue

The value of revenue for Q1 2019 went up by 35.6% compared to the same period of the previous year and amounted to PLN 540,787,000.

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

In Q1 2019 the costs of products, goods and materials sold plus selling costs and administrative expenses amounted to PLN 429,944,000, i.e. they went up by 29,784,000 compared to the same period of the previous year and amounted to PLN 400,160,000.

Profit on sales

In Q1 2019 profit on sales amounted to PLN 110,043,000, while in the same period of 2018 loss on sales was recorded and amounted to PLN -1,463,000.

Other income

In the first quarter of 2019 other income amounted to PLN 1,315,000 compared to PLN 31,172,000 a year before. The dominant item in the value for Q1 2018 (PLN 31,172,000) is the settlement of the Parent with the consortium of Mostostal Warszawa S.A. and Acciona Infraestructuras.

Other costs and net profits (losses)

Other costs in Q1 2018 amounted to PLN 429,000 while in the same period of 2019 the figure was PLN 326,000 – a dominant item in both periods were damages paid.

In Q1 2019 other net profits amounted to PLN 16,134,000, versus a net loss of PLN 771,000 in Q1 2018 - which means an increase of PLN 16,905,000 (in relation to a release of the provision for ZUS claim for accident insurance).

EBIT

Operating result in Q1 2019 amounted to PLN 127,966,000.
EBIT margin in Q1 2019 was 23.7%, i.e. it was higher by 16.5 p.p. than in the first quarter of the previous year.

EBITDA

EBITDA in Q1 2019 increased by 74.8% compared to Q1 2018 and amounted to PLN 222,860,000.
EBITDA margin in Q1 2019 was 41.2% and was higher than in the same period of 2018.

Finance income

Finance income in Q1 2019 amounted to PLN 7,133,000 (+49.2%). Increase in revenue in the period under analysis is mainly attributable to a release of provision for ZUS claim, in the portion covering interest.

Finance costs

In Q1 2019 finance costs amounted to PLN 3,295,000 and were lower by 30.8% than the costs in the same period of 2018. As at 31 March 2019 total debt of the Group amounted to PLN 16,371,000, compared the Group's debt of PLN 244,467,000 as at 31 March 2018.

Profit before taxation

In Q1 2019 the Group recorded pre-tax profit of PLN 131,804,000 compared to pre-tax profit of PLN 28,529,000 in Q1 2018.

Net profit for the financial year

In Q1 2019 the Group achieved net profit of PLN 109,969,000 compared to the profit of PLN 23,169,000 in Q1 2018.





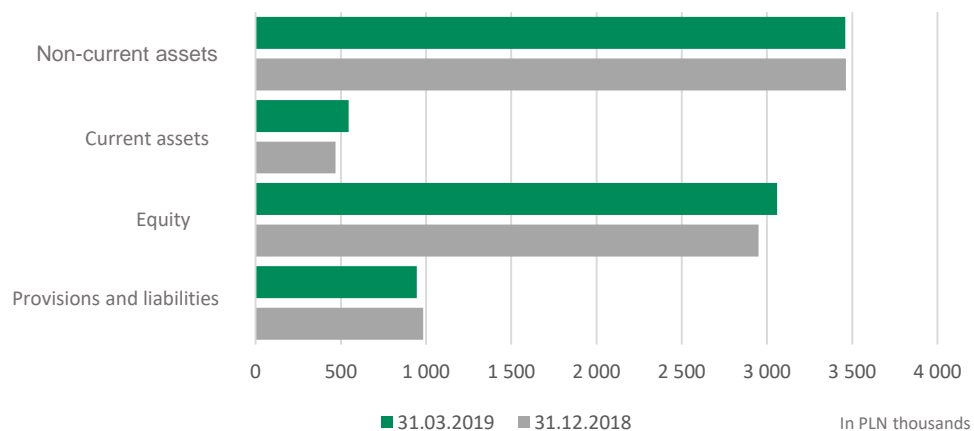
Balance sheet of the LW Bogdanka Group

Balance sheet

[PLN '000]	31 Dec. 2018	31 Mar. 2019	Change
Total assets	3,933,351	4,004,905	1.8%
Return on Assets (ROA)*	1.3%	3.5%	2.2 p.p.
Non-current assets	3,463,822	3,459,077	-0.1%
Current assets	469,529	545,828	16.3%
Equity	2,950,116	3,060,085	3.7%
Return on Equity (ROE)*	1.8%	4.7%	2.9 p.p.
Provisions and liabilities	983,235	944,820	-3.9%

* the calculations include net result for the last four quarters and an average level of assets and equity (as at 31 March 2019 + as at 31 December 2018)/2

Analysis of the consolidated statement of financial position



Assets

The balance-sheet total as at 31 March 2019 compared to the value as at 31 December 2018 went up by PLN 71,554,000 and amounted to PLN 4,004,905,000, with non-current assets going down by PLN 4,745,000 and current assets going up by PLN 76,299,000.

Within current assets, mainly the value of inventories went up (by 44.9%) and trade and other receivables (by 24.7%). As far as non-current assets are concerned, the value of property, plant and equipment fell by 0.8%.

As at 31 March 2019 the ROA figure was 3.5%, while as at the end of 2018 it was 1.3%.

Equity and liabilities

The equity went up by 3.7%. It was solely an effect of the comprehensive income generated for Q1 2019.

Provisions and liabilities went down by 3.9% compared to the value as at 31 December 2018, with current liabilities going down by 11.8% (primarily a decrease in trade and other liabilities) and non-current liabilities going up by 2.7% (as a result of disclosing a new item - financial lease liabilities).

At 31 March 2019 an increase in ROE was recorded (by 2.9 p.p.) compared to the end of 2018.

The value of the ratio as at 31 March 2019 was 4.7% compared to 1.8% as at 31 December 2018.





Cash flow LW Bogdanka Group

Cash flow

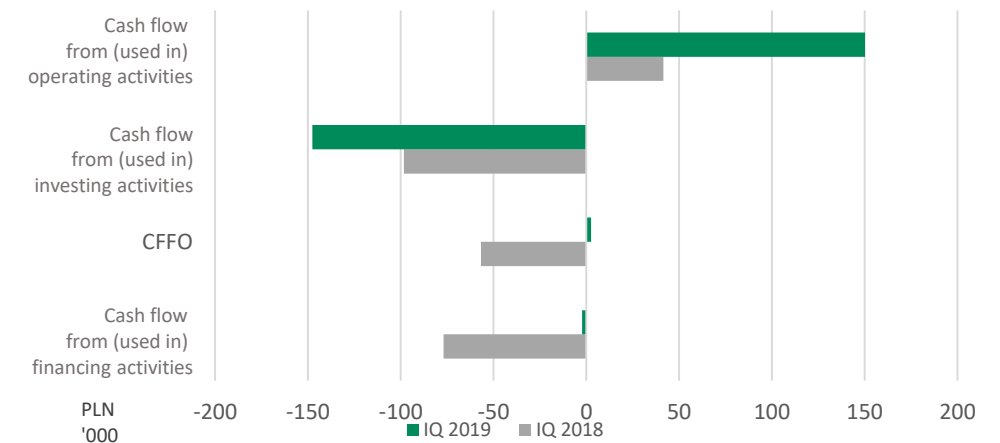
[PLN '000]	Q1 2018	Q1 2019	Change
Cash flow from (used in) operating activities	41,559	150,260	261.6%
Cash flow from (used in) investing activities	-98,258	-147,673	50.3%
CFFO*	-56,699	2,587	-
Cash flow from (used in) financing activities	-76,933	-2,228	-97.1%

*total cash flow from operating and investing activity

In the first quarter of 2019 the Group generated net cash flow from operating activities higher by 261.6% than in the first quarter of 2018 (in 2019 it amounted to PLN 150,260,000 compared to PLN 41,559,000 a year before). The increase by PLN 108,701,000 in cash flow from operating activities is primarily related to the increase in the pre-tax profit/loss. The pre-tax profit in Q1 2019 amounted to PLN 131,804,000, while in Q1 2018 it equalled PLN 28,529,000, which means a change of PLN 103,275,000 y/y.

Cash flow from investing activities increased (in absolute terms) in Q1 2019 by 50.3% (to PLN -147,673,000) compared to the same period of 2018.

In Q1 2019 the Group recorded negative flow from financing activity in the amount of PLN -2,228,000 (repayment of a loan by a subsidiary and payment of a liability under financial lease agreements).





Debt and liquidity ratios

LW Bogdanka Group

The Company presents selected APM indicators, as in its opinion they are the source of additional (with respect to data presented in the financial statements) and valuable information on financial and operating standing, and make it easier to analyse and assess the Company's results achieved during various reporting periods. The Company presents these specific alternative measurements of results as they are standard indicators commonly used in financial analyses. The selection of alternative measurements followed an analysis of their usefulness as far as providing investors with useful information on financial standing, cash flows and financial efficiency is concerned, and the Company believes they allow the achieved financial results to be well assessed.

Cash flow

[PLN '000]	31 Dec. 2018	31 Mar. 2019	Change
Overall debt ratio	25.0%	23.6%	-1.4 p.p.
Ratio (debt plus employee liabilities)/EBITDA	0.39	0.34	-12.8%
Net debt ratio/EBITDA*	-0.33	-0.27	-18.2%
Debt to equity ratio	33.3%	30.9%	-2.4 p.p.
Fixed capital to non-current assets ratio (non-current assets/fixed capital)	97.1%	100.8%	3.7 p.p.
Current debt ratio (current liabilities/equity and liabilities)	11.4%	9.8%	-1.6 p.p.
Non-current debt ratio (non-current liabilities/equity and liabilities)	13.6%	13.8%	0.2 p.p.

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

	31 Dec. 2018	31 Mar. 2019	Change
Current liquidity ratio	1.28	1.63	27.3%
Quick liquidity ratio	1.05	1.27	21.0%

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

Overall debt ratio

The overall debt ratio as at 31 March 2019 went down by 1.4 p.p. compared to 31 December 2018 and reached 23.6% - the share of trade and other liabilities decreased.

The level of the Group's debts as at 31 March 2019 did not pose any risk to the Group's operation and its ability to settle liabilities in a timely manner. The Group's financial needs are subject to medium-term and long-term analyses in order to secure liquidity and cash at proper levels.

Ratio (debt plus employee liabilities)/EBITDA

The ratio describing debt to EBITDA at the end of Q1 2019 dropped by 12.8% to 0.34. When comparing data as at 31 March 2019 to 31 December 2018, debt and EBITDA showed a smaller increase (cumulatively for four quarters).

Ratio net debt/EBITDA

The ratio describing the relation of net debt (the total of current and non-current liabilities less cash and equivalents) to EBITDA increased from -0.33 as at 31 December 2018 to -0.27 as at 31 March 2019. The value of net debt increased by ca. PLN 1.1 million and amounted to PLN -155 million with EBITDA going up by ca. PLN 94 million (EBITDA cumulatively for the last four quarters).

Debt to equity ratio

Debt to equity ratio as at 31 March 2019 decreased in relation to 31 December 2018 by 2.4 p.p. and was 30.9% - liabilities and provision dropped by ca. PLN 38 million along with an increase in equity by ca. PLN 110 million.

Fixed capital to non-current assets ratio

The fixed capital to non-current assets ratio was 100.8% (as at 31 March 2019) compared to 97.1% (as at 31 December 2018) – in the analysed period the value of non-current assets dropped by approx. PLN 4.7 million; fixed capitals (equity plus non-current liabilities less provisions) increased by approx. PLN 110 million.



Turnover ratios at the LW Bogdanka Group

Turnover ratios

[PLN '000]			31 Dec. 2018	31 Mar. 2019	Change
1. Inventory turnover	$\frac{\text{average inventories}}{\text{costs of goods, products and materials sold}} \times$	days in the period	17	23	35.3%
2. Debtors collection rate*	$\frac{\text{Average receivables}}{\text{revenue}} \times$	days in the period	43	38	-11.6%
3. Creditors payment rate**	$\frac{\text{average liabilities}}{\text{costs of goods, products and materials sold}} \times$	days in the period	74	70	-5.4%
4. Operating cycle	1+2		60	61	1.7%
5. Cash conversion cycle	4-3		-14	-9	-35.7%

* Trade and other receivables

** Trade and other liabilities

Inventory turnover

The inventory turnover as at 31 March 2019 went up to 23 days, compared 31 December 2018. Disposal of inventories takes on average 6 days more.

Debtors collection rate

The debtors collection rate (calculated on the basis of the balance-sheet item "Trade and other receivables") was 38 days (as at 31 March 2019), compared to 43 days (as at 31 December 2018). In the period under analysis, average receivables increased by approx. PLN 22 million, with the revenue going up.

Creditors payment rate

The creditors payment rate (calculated on the basis of the balance sheet item "Trade and other liabilities") in the period covered by financial information got shorter by 4 days to ca. 70 days, as compared to the figure as at the end of 2018. In the analysed period the Group had a lower average level of current trade liabilities (by approx. PLN 16 million).

Operating cycle

The operating cycle for current assets (a sum of inventory turnover and debtors collection rate) in the analysed period got longer by 1 day to 61 days. On average after 61 days, the Group's current assets are converted into cash.

Cash conversion cycle

The consequence of the above trends, the cash conversion cycle as at 31 March 2019 was -9 days. The negative value of the cash conversion cycle means that the Group uses trade credit (financing with the non-interest-bearing borrowed capital).



Provisions of the LW Bogdanka Group

Balance-sheet provisions

[PLN '000]	IQ 2018	2018	IQ 2019	Change IQ2019/ 2018	Change IQ 2019/ IQ 2018
Employee provisions	157,853	165,156	174,489	5.7%	10.5%
Provision for real property tax	44,662	41,431	43,723	5.5%	-2.1%
Provision for the mine closure costs and land reclamation	116,085	124,207	124,817	0.5%	7.5%
Mining damage	4,346	3,184	3,128	-1.8%	-28.0%
Provision for Social Insurance Institution (ZUS) claim for accident contributions	21,669	22,658	-	-	-
Other	18,180	11,883	11,968	0.7%	-34.2%
Total	362,795	368,519	358,125	-2.8%	-1.3%

The total provisions as at 31 March 2019 amounted to PLN 358,125,000, which means a drop by 2.8% compared to the value as at 31 December 2018.

Change in provisions

[PLN '000]	Change Q1 2018	Change Q1 2019	Change Q1 2019/ Q1 2018
Employee provisions	832	9,333	1,021.8%
Provision for real property tax	2,309	2,292	-0.7%
Provision for the mine closure costs and land reclamation	1,637	610	-62.7%
Mining damage	-88	-56	-36.4%
Provision for Social Insurance Institution (ZUS) claim for accident contributions	329	-22,658	-
Other	537	85	-84.2%
Total	5,556	-10,394	-287.1%

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

[PLN '000]	Change of provisions in Q1 2019	Change disclosed in operating activity (EBITDA)	Change disclosed below the result of operating activity - interest	Including: Change disclosed only in the balance sheet - increase in 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	9,333	13,106	1,048	-	-	-4,821
Provision for real property tax	2,292	1,591	701	-	-	-
Provision for the mine closure costs and land reclamation	610	309	906	-605	-	-
Mining damage	-56	-	-	-	-	-56
Provision for Social Insurance Institution (ZUS) claim for accident contributions	-22,658	-16,398	-6,260	-	-	-
Other	85	138	73	-	-	-126
Total	-10,394	-1,254	-3,532	-605	-	-5,003





Costs in LW Bogdanka S.A.

Costs by type

[PLN '000]	Q1 2018	Q1 2019	Change
Net production [in '000 tonnes]	2,095	2,532	20.9%
Sales [in '000 tonnes]	1,967	2,365	20.2%
Depreciation/amortisation	96,748	92,523	-4.4%
Materials and energy consumption	139,290	128,109	-8.0%
Outsourced services	114,781	127,183	10.8%
Employee benefits	145,351	135,832	-6.5%
Entertainment and advertising costs	2,269	2,149	-5.3%
Taxes, fees and charges	10,909	12,246	12.3%
Other costs	896	1,010	12.7%
Total costs by type	510,244	499,052	-2.2%
Cost of own work	-61,589	-60,073	-2.5%
Accruals and deferrals	-5,136	18,481	-459.8%
Value of coal obtained from excavations	-28,607	-25,500	-10.9%
Provisions and other presentation adjustments between costs by type and by function	3,848	20,970	445.0%
Total production cost	418,760	452,930	8.2%
Change in products	-20,765	-25,983	25.1%
Costs of goods and materials sold	4,003	5,698	42.3%
Own cost of sales, including:	401,998	432,645	7.6%
Costs of products, goods and materials sold	364,329	397,992	9.2%
Selling costs	10,578	9,136	-13.6%
Administrative expenses	27,091	25,517	-5.8%

Q1 2019

In Q1 2019, LW Bogdanka S.A. incurred costs by type in the amount of PLN 499,052,000 (PLN -11,192,000 y/y), i.e. by 2.2% lower than in Q1 2018. The decrease in costs noted in Q1 2019 was largely influenced by, in particular, lower value of consumption of materials and energy, employee benefits and depreciation/amortisation. This drop was compensated with an increase, by PLN 12,402,000, in outsourced services.

The value of depreciation and amortisation went down by 4.4% (to PLN 92,523,000) – the value of depreciation of non-current assets fell (PLN -1.4 million) and so did natural depreciation (PLN -3.6 million).

The total value of materials and energy consumption decreased by 8.0% compared to the first quarter of 2018, and amounted to PLN 128,109,000. In the period under analysis the value of materials used dropped (less preparatory works and smaller scope of wall reinforcement).

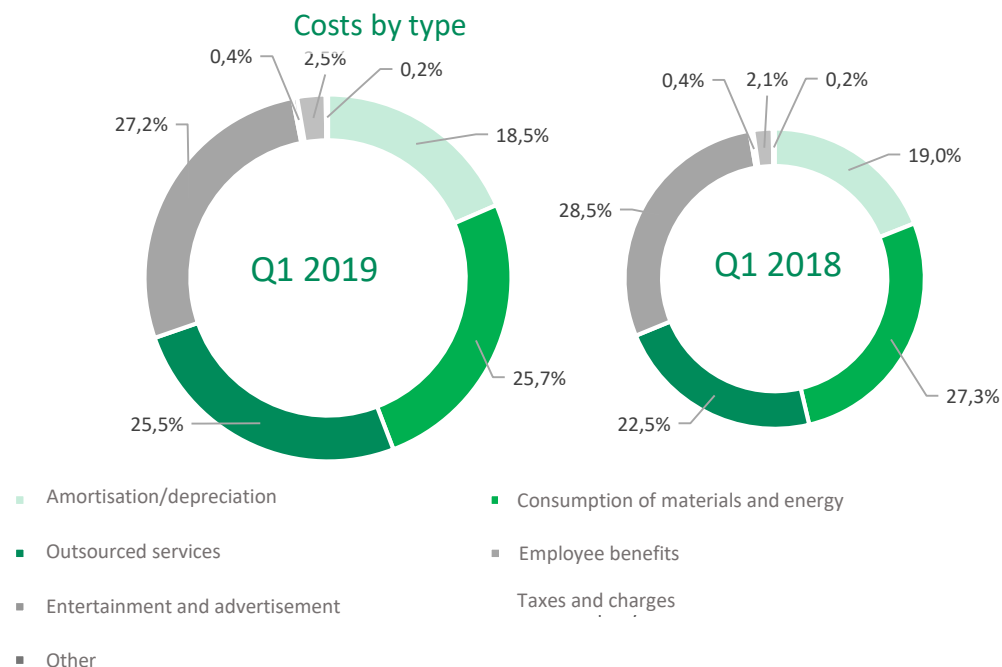
Compared to Q1 2018, the value of outsourced services in Q1 2019 went up from PLN 114,781,000 to PLN 127,183,000 (+10.8%). In the period under analysis, the Company recorded increases in services related to drilling and redevelopment of excavations (PLN +2.5 million), mining & drilling and excavation works on working days and on Sundays and holidays (PLN +10.8 million), with a concurrent drop in the costs of service of stone removal for land reclamation (PLN -1.6 million).

In Q1 2019, compared to Q1 2018, the value of employee benefits dropped by PLN 9,519,000. Despite an increase in an average employment in LW Bogdanka S.A. by approx. 217 people, the cost of remunerations and employee benefits went down (due to a payment in 2018 of an additional incentive bonus for the employees and a lower write-off to the Company Social Benefits Fund made in 2019 – in relation to a planned launch of the Employee Pension Scheme at the Parent).

A slight drop in the value of hospitality expenditure and advertising costs is a consequence of different tranche payment schedules.

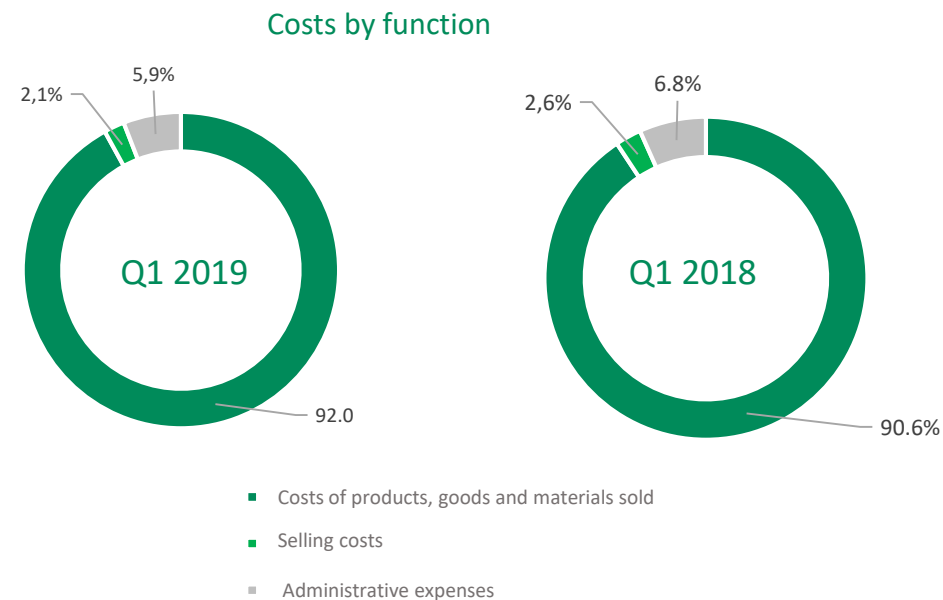


Costs in LW Bogdanka S.A.



The changes presented in the group of costs by type had an impact on the change in the structure thereof. In the first quarter of 2019 (compared to the same period of the previous year) the share of outsourced services as well as of taxes and charges went up (to 25.5% and 2.5%, respectively). Hospitality and advertising costs as well as other costs stood at the same level. Drops covered depreciation/amortisation (to 18.5%), materials and energy consumption (to 25.7%) and employee benefits (to 27.2%). Between 1 January 2019 and 31 March 2019 the consumption of materials and energy, outsourced services as well as employee benefits accounted for more than 78% of costs, and the figure was comparable to that recorded in the same period of 2018.

Having adjusted costs by type of the change in products and accruals and deferrals, the costs of own work and the costs of goods and materials sold, we obtain own selling cost which for Q1 2019 amounted to PLN 432,645,000. As compared to the previous year, it is higher by 7.6% (with a simultaneous year-to-year increase by 20.9% y/y in the amount of net production).



Costs by function

The cost of own production sold (by function) in Q1 2019 amounted to PLN 432,645,000 while in the analogous period of the previous year, it was PLN 401,998,000.

[PLN '000]	Q1 2018	Q1 2019	Change
Net production [in '000 tonnes]	2,095	2,532	20.9%
Sales [in '000 tonnes]	1,967	2,365	20.2%
Costs of products, goods and materials sold	364,329	397,992	9.2%
Selling costs	10,578	9,136	-13.6%
Administrative expenses	27,091	25,517	-5.8%
Own cost of sales	401,998	432,645	7.6%



Other information with influence on the financial standing on the LW Bogdanka Group

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

The LW Bogdanka Group monitors on an ongoing basis the level of costs, ratios and the value of accumulated cash. Current debt (a loan from the Regional Environmental Protection Fund and Water Management for Łęczyńska Energetyka), plus cash held, guarantee the financing on an on-going basis. Works are consistently conducted at the Parent to optimise the mining process (with respect to the applied technology, planned cutting of the deposit and access excavations for new deposits). All works (including new excavation planning, extraction and sale of commercial coal) take into account existing and future market risks. Works to prepare new excavations for operational exploitation are carried out in such a manner so as to ensure the continuity of extraction. International and domestic coal prices are monitored on an ongoing basis. The LW Bogdanka Group pays its liabilities when due. The Group effectively manages its financial resources and, at the same time, deposits free funds with banks (for durations and in amounts determined on the basis of in-house financial forecasts). As at the date of drawing up the information, there are no premises indicating possible risk of not settling the contracted liabilities in future. The Parent was well prepared for 2019. In 2018 a record-breaking scope of preparatory works was completed, therefore the estimated extraction in 2019 may amount to approx. 9.4 million tonnes, as announced in the Strategy.

When we combine the above with higher contractual prices, we will be able to positively assess prospects for 2019. The Group's priority, except for higher extraction, is making the Ostrów deposit available for exploitation, to be started in 2020 according to the Management Board (based on underground infrastructure).

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 Group. The principal suppliers for the LW Bogdanka Group include mainly 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 and 31 March 2019, the value of the turnover with any supplier did not exceed 10% of the Group's total revenue.

Investments and capital investments of LW Bogdanka Group

The value of cash held by the Group as at the end of March 2019 stood at PLN 299,432,000, of which:

- PLN 128,280,000 disclosed in non-current assets,
- PLN 171,152,000 is disclosed in current assets.

The amount of PLN 128,280,000 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 171,152,000 includes financial resources (available cash) kept in short- and

medium-term bank deposits (including overnight deposits) – the amount of deposited cash varies depending on internal income and expenditure forecasts. In accordance with the adopted Strategy, the Group maintains the amount of available cash at the levels equal to at least the value of average monthly sales revenue (1/12 of forecast annual sales revenue). The funds accumulated at the Parent amount to PLN 152,183,000, while the funds accumulated at subsidiaries amount to PLN 18,969,000 (primarily to Łęczyńska Energetyka).

In addition to cash, the Group also discloses in the balance sheet Other current investments worth PLN 68,000 concerning deposits with the initial maturity of more than 3 months.

Assessment of factors an untypical events affecting the operating profit

The only event that had a material impact on the Group's result in Q1 2019 was the issuance, for the Group, of the judgement of the Supreme Court dated 4 April 2019 regarding the cassation appeal of the Social Insurance Institution (ZUS) in a dispute concerning accident contribution. The case is described in detail in Note 4 of the consolidated report for the first quarter of 2019 of the LW Bogdanka Group.

Except for the above, in Q1 2019 the Group did not see any untypical events, affecting its operating results.

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

Detailed description is provided in Note 10 of the Consolidated Quarterly Report of the LW Bogdanka Group for Q1 2019.





Information on financial instruments, bonds

Information on derivative financial instruments

As at 31 March 2019, the Parent did not hold any open derivative financial instruments.

Bonds

As of 31 March 2019 the Parent: did not have active agreement regarding bond issue and had no issued and unredeemed bonds.

Assessment of the Company's possibilities to enforce its investment plans

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

Position of the Management Board of LW Bogdanka regarding the possibility of achieving previously published forecasts for the year in question, in light of the results presented in the separate annual report in relation to the forecast results

LW Bogdanka did not publish projections of financial results for 2019.

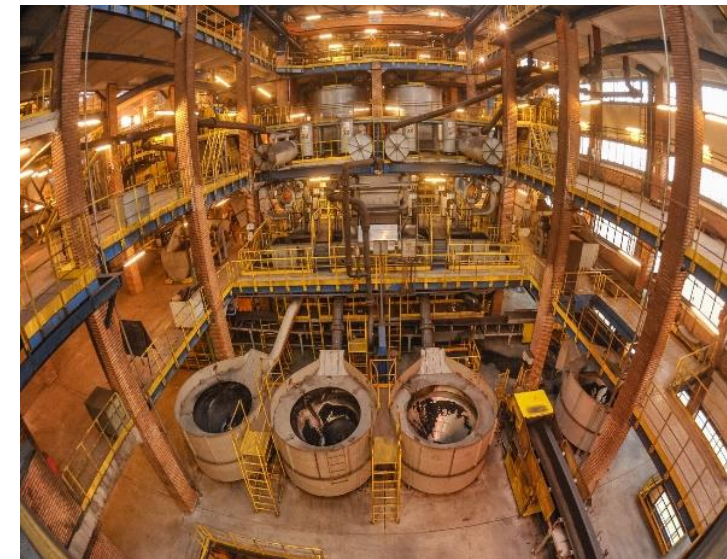
Rules governing the preparation of the Consolidated and Condensed Interim Financial Statements

This Consolidated Quarterly Report of the LW Bogdanka Group for Q1 2019 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 16 "Leases" was applied for the first time as of 1 January 2019. More information is contained in Note 2 of the Consolidated Quarterly Report of the LW Bogdanka Group for the three months ended on 31 March 2019.

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

As of the date of preparing the Directors' Report on Operations of the Group for Q1 2019 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, the value of which is material from the perspective of the LW Bogdanka Group,
- two or more proceedings related to liabilities and receivables, the value of which is material from the perspective of the LW Bogdanka Group.





Agreements concerning loans and borrowings



Information on loans granted

In Q1 2019 the Company did not contract or grant any loans or terminate any agreements concerning loans.

Information on sureties and guarantees provided and received

In Q1 2019, the Company did not grant (or receive) any sureties.

Transactions with related undertakings

During the first quarter of 2019 the Parent and its subsidiaries did not conclude transactions with related entities which would be individually or jointly significant and would be concluded on a basis other than an arm's length basis. Information about all agreements that are significant from the point of view of the Issuer's operations is published in the form of current reports available at <http://ri.lw.com.pl/raporty-biezace>. For more information about agreements with the Enea Group and companies controlled by the State Treasury see Note 11 of the Consolidated Quarterly Report of the LW Bogdanka Group for three months ended on 31 March 2019.

Guarantees granted by LW Bogdanka S.A.

In Q1 2019, LW Bogdanka S.A. did not provide any guarantees.

Guarantees received by LW Bogdanka S.A.

As at 31 March 2019, LW Bogdanka S.A. did not order banks to issue guarantees.

Agreements concerning the subsidiaries' loans and borrowings

Łęczyńska Energetyka Sp. z o.o. continues the repayment of the loan granted in accordance with an agreement of 9 June 2014, Łęczyńska Energetyka sp. z o.o. was granted a loan (of PLN 26,580,000) by the Provincial Fund for Environmental Protection and Water Management (WFOŚiGW) in Lublin, which was allocated to financing the construction of the Water Treatment Station in Bogdanka, completed in February 2016. The loan bears interest of 0.7 of the rediscount rate set by the Monetary Policy Council, not less than 4.0% annually. In 2014-2016, 100% of the granted loan amount was used, and its repayment will be gradually performed until 31 July 2024.

Except for the above loan, between 1 January and 31 March 2019 Łęczyńska Energetyka sp. z o.o. did not use any third-party financing for its operations.

In Q1 2019 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.

In Q1 2019 the Company had one active loan agreement (amended by an annex concluded on 30 November 2018).

Start date	End date	Lender	Amount of loan granted [PLN '000]	Interest rate	Debt (loans) as at 31 March 2019 [PLN '000]	Repayment period
16 December 2016	29 November 2019	mBank S.A.	100,000	WIBOR 1M + margin	-	Overdraft



Shares and
shareholding

4



Share capital and shareholding structure of LW Bogdanka S.A.

Share capital structure

The Company'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 Company'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 Company has a strategic majority shareholder. The majority shareholder is the Enea Group which holds a majority block of shares which accounts for 66.0% of the shares in LW Bogdanka S.A.

(the majority shareholder's block of shares totals 22,448,834 shares, which corresponds to a nominal value of PLN 112,244,170). Other shareholders of the Issuer are mainly institutional investors in the form of pension and investment funds.

Treasury shares

In Q1 2019 LW Bogdanka S.A. and subsidiaries of LW Bogdanka S.A. did not acquire any treasury shares of the Company.

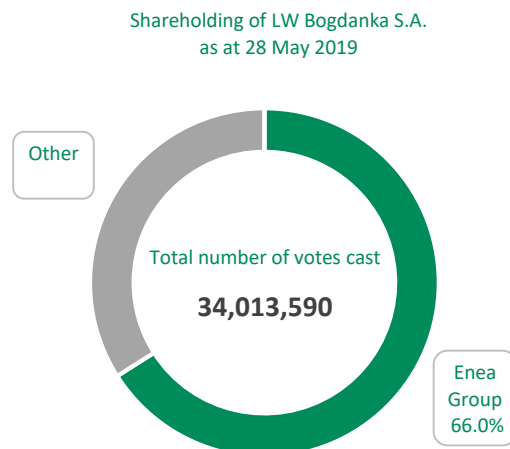
Changes in the shareholding structure by the date of the Report

On 9 April 2019, the Management Board of Lubelski Węgiel Bogdanka S.A. received information from Towarzystwo Funduszy Inwestycyjnych PZU S.A. (TFI PZU), to the effect that, as a result of settlement, on 5 April 2019, of transaction or selling 8,656 shares

in LW Bogdanka S.A. at the Warsaw Stock Exchange, the total share of TFI PZU investment funds in the total vote dropped from 5.00% to 4.98%.

Shareholding structure

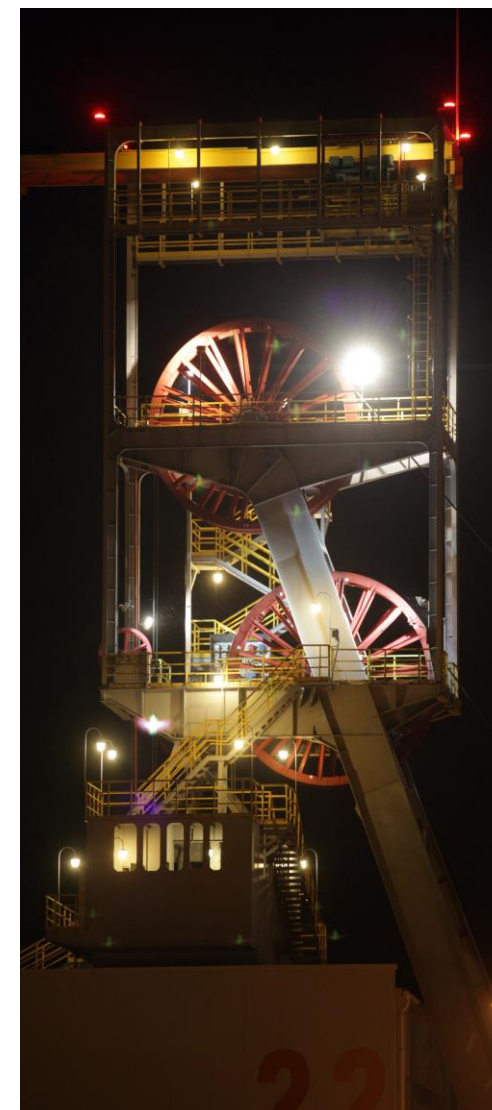
The graph below shows a shareholding structure of the Company as at the date of publishing this Report, i.e. 28 May 2019.



Participation of the LW Bogdanka's shares in indices

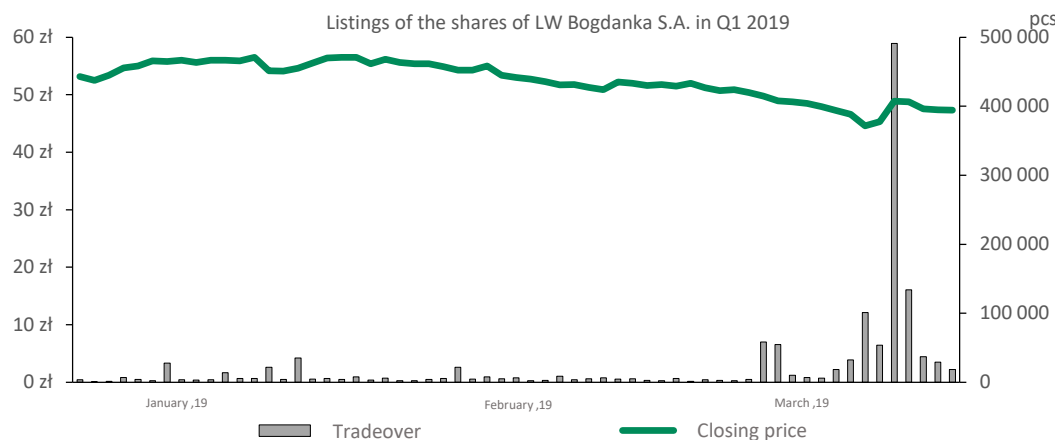
The Company was first listed on the Warsaw Stock exchange on 25 June 2009. In Q1 2019, LW Bogdanka S.A. made part of the following indices:

- 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.





Price performance of the shares of LW Bogdanka S.A. on the Warsaw Stock Exchange

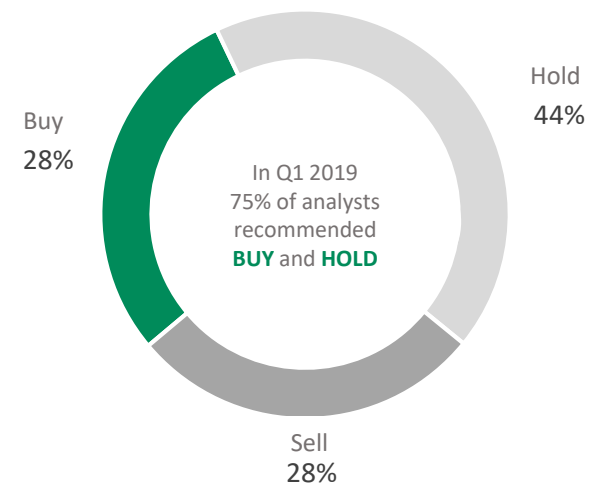


Key share indicators:

	Q1 2017	Q1 2018	Q1 2019
Maximum price [PLN]	83.80	70.70	56.60
Minimum price [PLN]	64.00	45.20	44.40
Last price [PLN]	76.12	46.70	47.55
Average price [PLN]	73.08	61.12	52.31
Capitalisation at end of period [PLN million]	2,589.1	1,588.4	1,617.3
Book value [PLN million]	2,360.6	2,905.5	3 037,9
Price/earnings ratio	40.4	76.0	15,1
Price/book value	1.1	0.6	0,5
Rate of return at end of period [%]	9,3	-30,1	-8,6
Dividend rate [%]	-	-	-
Average turnover per session [PLN '000]	1,834.1	1,084.0	1,095.6
Average volume per session	25,288	18,317	22,643
Number of shares in float [no. of shares]	34,013,590	34,013,590	34,013,590

Analysts' recommendations

Date of Issue	Institution	Recommendation	Target price	Price on the date of issue
17 January	IPOPEMA Securities	Sell	PLN 48.39	PLN 60.71
21 January	Santander	Hold	PLN 62.70	PLN 56.50
30 January	Societe Generale	Hold	PLN 60.00	PLN 56.50
31 January	BOŚ DM	Buy	PLN 78.00	PLN 54.20
4 February	PKO BP Securities	Sell	PLN 50.00	PLN 55.60
21 February	Haitong	Buy	PLN 64.90	PLN 51.80
25 March	Santander	Hold	PLN 55.00	PLN 48.80





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

Shares in related entities of the Company

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

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

Potential changes in the shareholding structure

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

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

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

MANAGEMENT BOARD					
Name and surname	The number of the Company shares as of 28 May 2019	Par value of the shares (PLN)	The number of the Company shares as of 20 March 2019	Par value of the shares (PLN)	Number of shares in subsidiary companies
Artur Wasił	0	0	0	0	0
Dariusz Dumkiewicz	0	0	0	0	0
Artur Wasilewski	0	0	0	0	0
Adam Partyka	253	1,265	253	1,265	0
SUPERVISORY BOARD					
Name and surname	The number of the Company shares as of 28 May 2019	Par value of the shares (PLN)	The number of the Company shares as of 20 March 2019	Par value of the shares (PLN)	Number of shares in subsidiary companies
Mirosław Kowalik	0	0	0	0	0
Szymon Jankowski	0	0	0	0	0
Przemysław Krasadomski	0	0	0	0	0
Ewa Nowaczyk	0	0	0	0	0
Kamil Patyra	0	0	0	0	0
Mariusz Romańczuk	0	0	0	0	0
Anna Spoz	0	0	0	0	0
Michał Stopyra	0	0	0	0	0
TOTAL	The number of the Company shares as of 28 May 2019	Par value of the shares (PLN)	The number of the Company shares as of 20 March 2019	Par value of the shares (PLN)	Number of shares in subsidiary companies
	253	1,265	253	1,265	0

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



5

Governing bodies



Composition of the Management Board of LW Bogdanka S.A. as at 28 May 2019



Artur Wasił
President of the
Management Board

Mr Artur Wasił 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 Wasił 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 Wasił 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.



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

He 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 of LW Bogdanka S.A.



Adam Partyka
Vice-President of the
Management Board
Employee and Social
Affairs

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

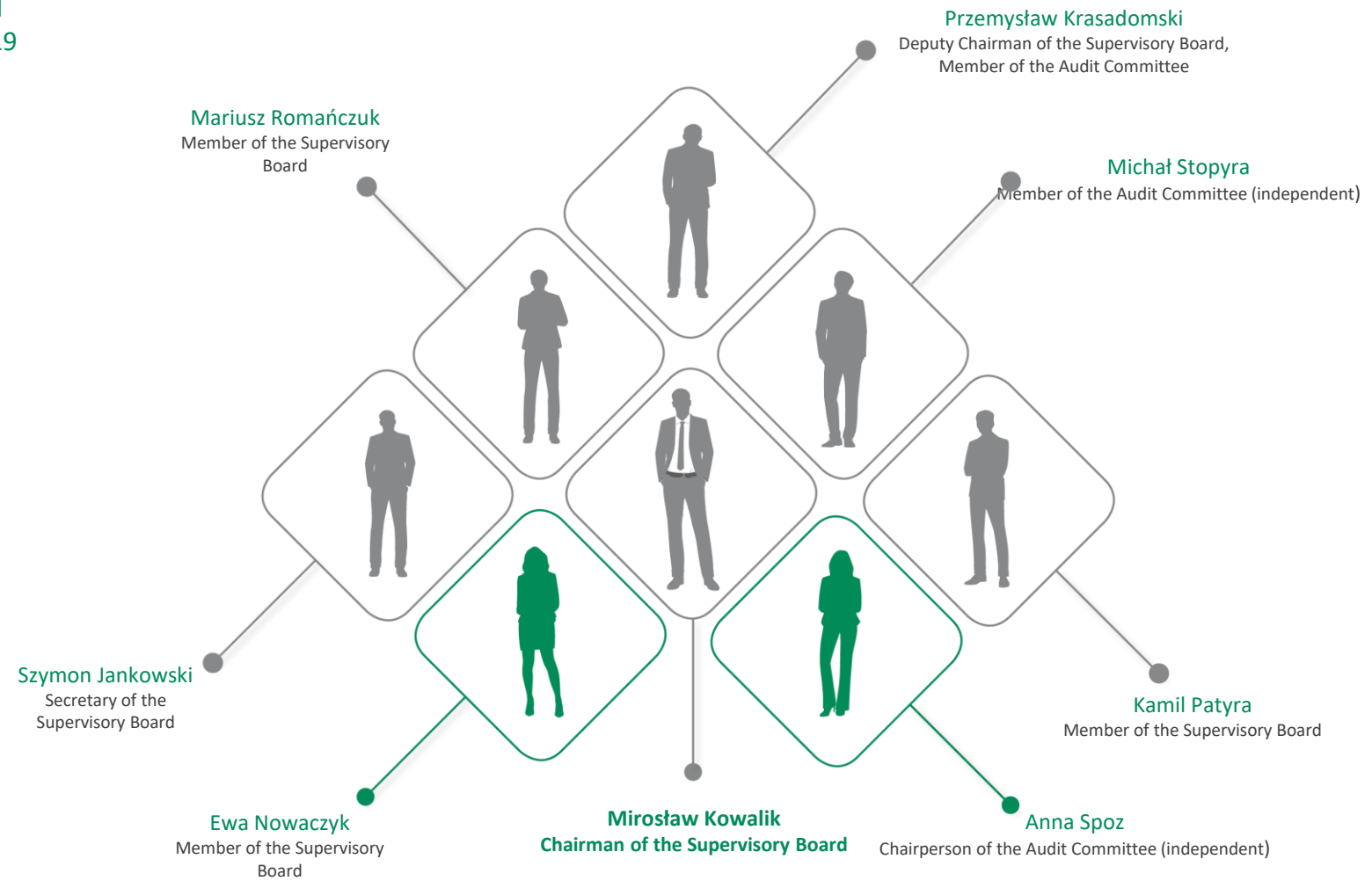


**Dariusz
Dumkiewicz**
Vice-President of the
Management Board
Development

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.



Composition of the Supervisory Board of LW Bogdanka S.A. as at 28 May 2019





Composition of the Company's Supervisory Board as at 28 May 2019

Mirosław Kowalik

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

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

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

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 Uzdrowski ENERGETYK sp. z o.o.

Kamil Patyra

Kamil Patyra graduated in Administration at the Faculty of Law and Administration of Maria Curie-Skłodowska University in Lublin. 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

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 Kraków. He has worked for LW Bogdanka S.A. since 1989. Currently, he holds the position of Deputy Manager of Blasting Team, Division Foreman.

Anna Spoz

Anna Spoz graduated from Nicolaus Copernicus University in Toruń. 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 Toruń. 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

Michał Stopyra graduated from the AGH University of Science and Technology, 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 Techniczna 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
- **PTE** – Technical and Business Plan
- **LWB** – Lubelski Węgiel Bogdanka S.A.
- **IFRS** – International Financial Reporting Standards
- **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
- **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 Members of the Management Board

Artur Wasil – President of the Management Board

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

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

Dariusz Dumkiewicz – Vice-President of the Management Board,
Development

Bogdanka, 28 May 2019



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