



LUBELSKI WĘGIEL
„BOGDANKA”
SPÓŁKA AKCYJNA

PRESENTATION OF RESULTS FOR

✓ Q3 2015 ✓ 1-3Q 2015

GK LW BOGDANKA





MANAGEMENT BOARD MEMBERS



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Management Board



Roger de Bazelaire

Vice-President of the
Management Board,
Chief Financial Officer



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Vice-President of the
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Sales and Logistics



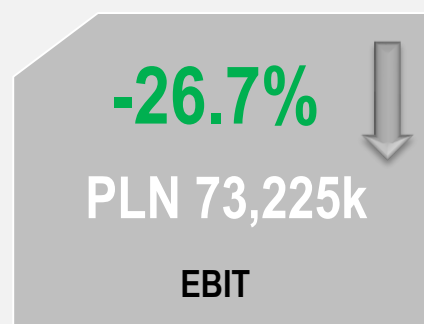
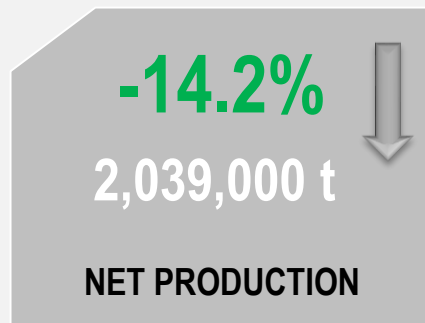
Krzysztof Szlaga

Vice-President of the
Management Board,
Procurement and Investments

LW BOGDANKA GROUP RESULTS IN Q3 2015



LW BOGDANKA GROUP RESULTS IN Q3 2015 VS. Q3 2014



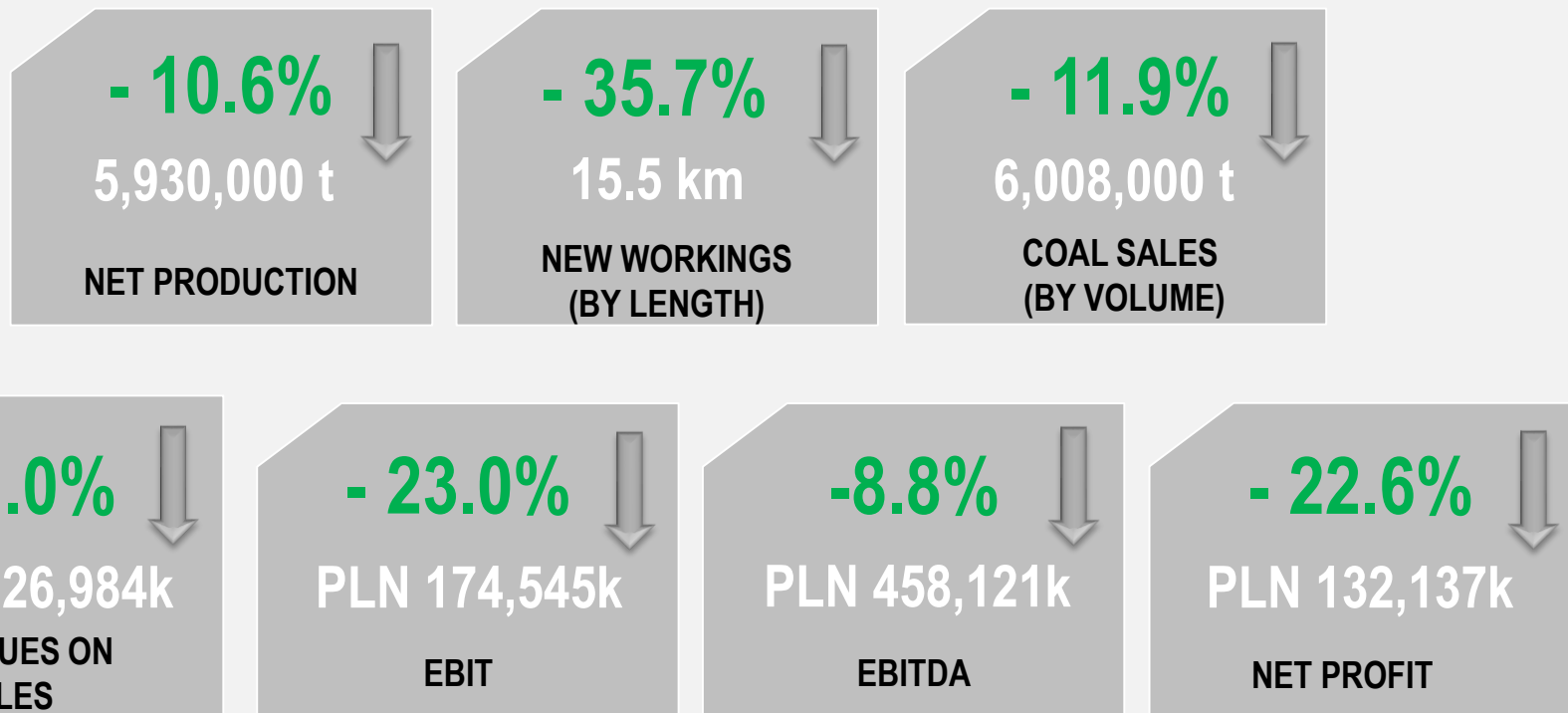
■ Change [%] Q3 2015/Q3 2014

□ Results in Q3 2015



LW BOGDANKA GROUP RESULTS IN 1-3Q 2015

LW BOGDANKA GROUP RESULTS IN 1-3Q 2015 VS. 1-3Q 2014

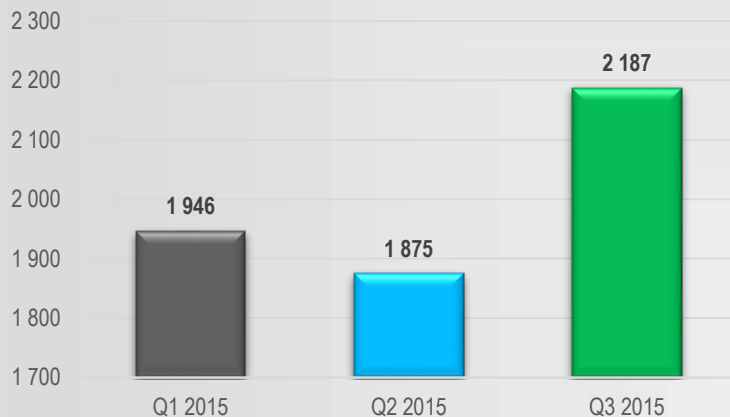


■ Change [%] 1-3Q 2015/1-3Q 2014 □ Results in 1-3Q 2015

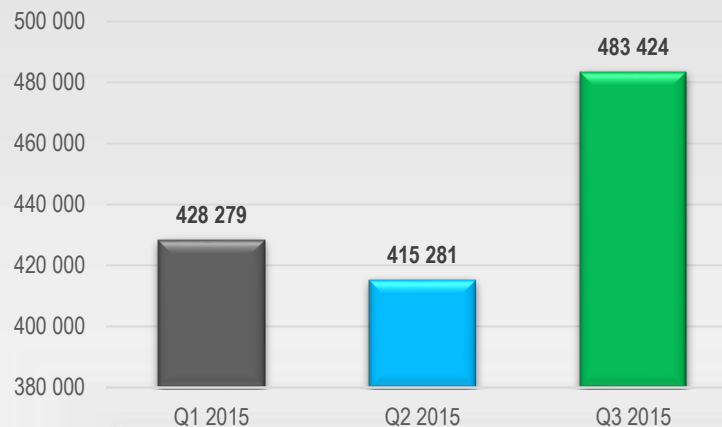
LW BOGDANKA GROUP RESULTS IN Q1, Q2 AND Q3 2015



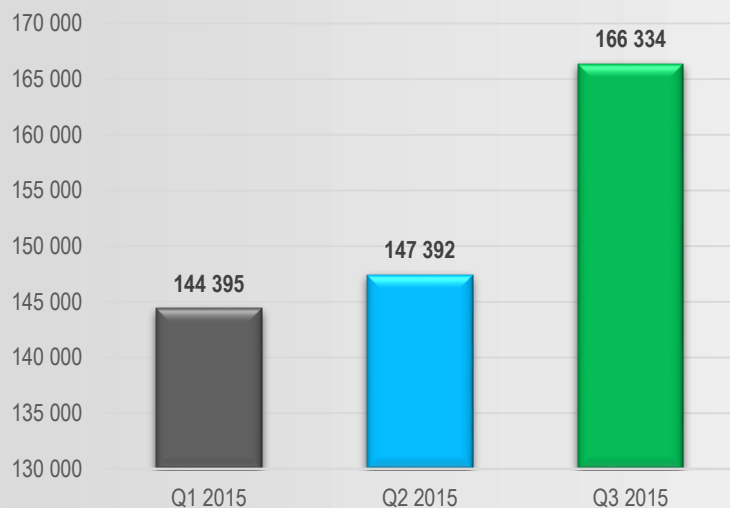
COAL SALES (BY VOLUME '000 tonnes)



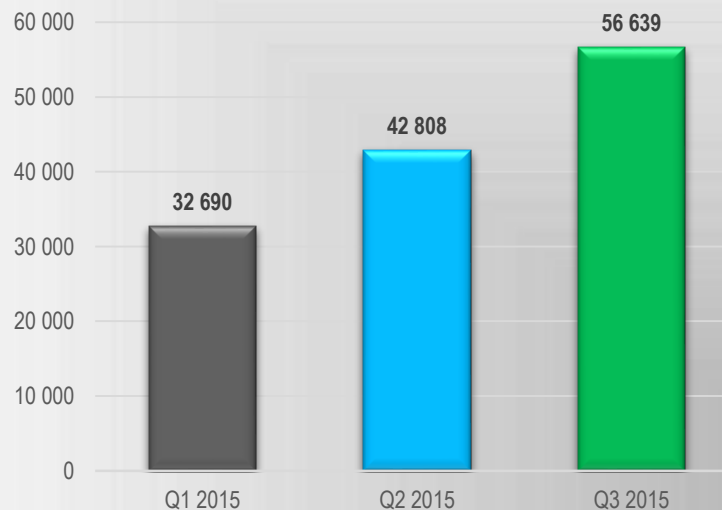
REVENUES ON SALES (PLN '000)



EBITDA (PLN '000)



NET PROFIT (PLN '000)



AGENDA



1. Key operating data

2. Situation on the coal market

3. Financial highlights

4. Plan for 2015

5. Shareholding structure

6. Appendices – Financial information

PRODUCTION AND SALES OF THERMAL COAL AT LW BOGDANKA S.A. IN Q3 2015 AND 1-3Q 2015



Gross production

- ✓ **3,188k tonnes** in Q3 2015 (a decrease of **9.5%** y/y)
- ✓ **8,946k tonnes** in 1-3Q 2015 (**10.2%** less than in 1-3Q 2014)
- ✓ Production in 1-3Q 2015 was conducted on 203 days, compared to 227 days in 2014

Net production

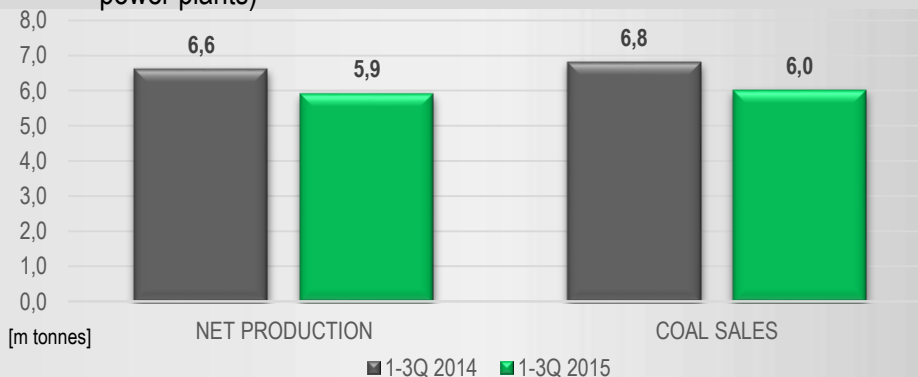
- ✓ **2,039k tonnes** in Q3 2015 (a decrease of **14.2%** y/y)
- ✓ **5,930k tonnes** in 1-3Q 2015 (**10.6%** less than in 1-3Q 2014)
- ✓ Lower production in 1-3Q 2015 was adjusted to the level of coal sales

New workings

- ✓ **New workings:** in Q3 2015 **5.4 km of new galleries** were developed as compared to **7.8 km** in Q3 2014 (decrease of **30.8%**)
- ✓ In 1-3Q 2015 there was a total of **15.5 km** of new workings vs. **24.1 km** in 1-3Q 2014 (**decrease of 35.7%**)
- ✓ Reduction is due to changes in the production schedule and optimization of the capex program

Coal sales

- ✓ In Q3 2015 there was a decrease in coal sales. **2,187k tonnes** of coal was sold, i.e. **12.4%** (**309k tonnes**) less than in Q3 2014
- ✓ In 1-3Q 2015 **6,008k tonnes** of coal was sold – **11.9%** less than in 1-3Q 2014 (**815k tonnes**)
- ✓ Decrease in sales in 1-3Q 2015 resulted from delivery schedules to customers (level of inventories at power plants)

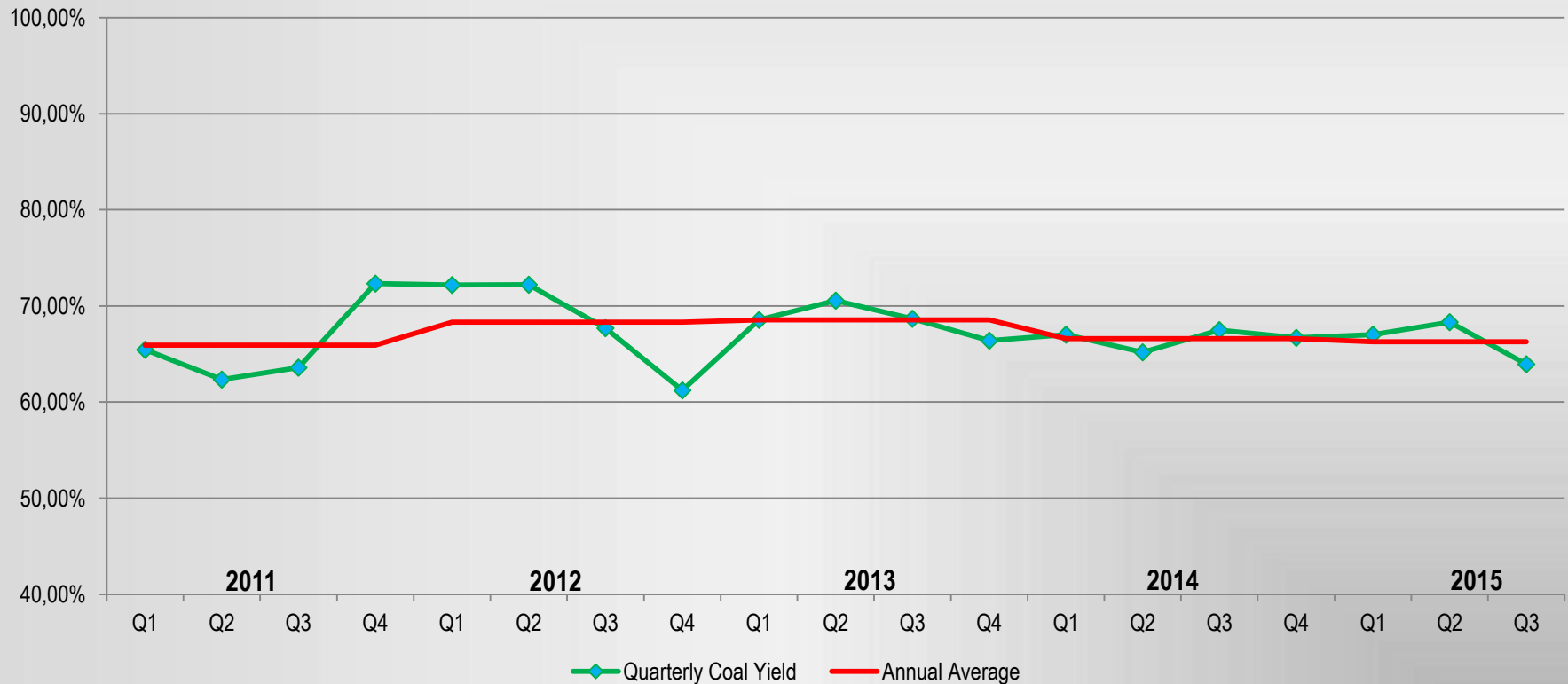


COAL YIELD AT LW BOGDANKA S.A.



- ✓ Coal yield in 1-3Q 2015 was about 66.3%, lower than in 1-3Q 2014 (66.9%). The decline in yield in Q3 2015 was temporary and resulted from the worse-than-expected quality parameters – 1/1/385 (ploughing wall in Bogdanka).

COAL YIELD AT LW BOGDANKA S.A. [2011 – 2015]



AGENDA



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2. **Situation on the coal market**

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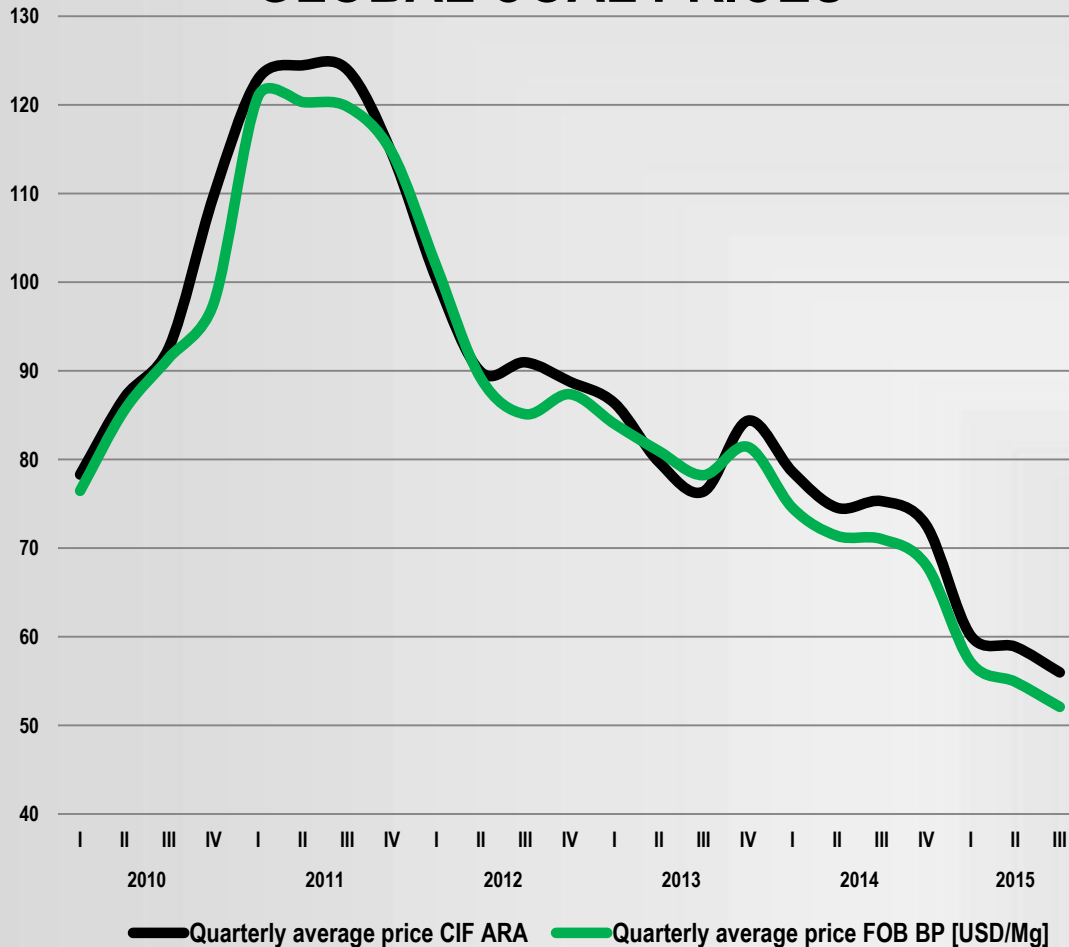
5. Shareholding structure

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SITUATION ON THE COAL MARKET— GLOBAL PRICES



GLOBAL COAL PRICES



- ✓ The CIF ARA cumulative price in Jan.– Sept. was USD 58.33/t, 22.5% lower than the annual average price in 2014 (USD 75.26/t)
- ✓ Since 3Q 2011 the price of coal at ARA ports has fallen by **45.2%**
- ✓ Forward transactions through 2018 are at about USD 47/t
- ✓ Since Q3 2011 the price of coal from Baltic Ports has fallen by 43.5%
- ✓ In the long-term perspective, growth in demand for coal is expected in connection with growth in consumption, *inter alia* by India and other developing countries

PRICES TO COMMERCIAL POWER PLANTS IN POLAND – THERMAL COAL MARKET



PRICES OF THERMAL COAL SOLD TO COMMERCIAL POWER PLANTS IN POLAND



- ✓ The extremely unfavourable situation on the thermal coal market (until June 2015) was connected with price dumping by KW
- ✓ In Q3 2015 vs. Q2 2015 **inventories of coal at mines fell by over 0.5m tonnes** on **increasing production levels** by about 0.5m tonnes. Coal from KW is still oversupplying the coal market.

DOMESTIC DEMAND FOR THERMAL COAL...



COAL PRICES

- ✓ The average price of thermal coal on the domestic market in Q3 2015 was **PLN 239.11/t**, in 1-3Q 2015 **PLN 238.81/t**
- ✓ The average price of coal sold to commercial power plants in Q3 2015 was **PLN 210.56/t**, in 1-3Q 2015 **PLN 210.60/t**

DEMAND/SUPPLY

- ✓ Q3 2015 saw a **slight decline in market demand** for thermal coal
- ✓ Very large quantities of coal still remain stockpiled at mines and power plants (**about 14m tonnes**)
- ✓ In **Q3 2015** there was a significant increase in electricity production (over **10%**) based on coal vs. Q3 2014.**

COAL MARKET

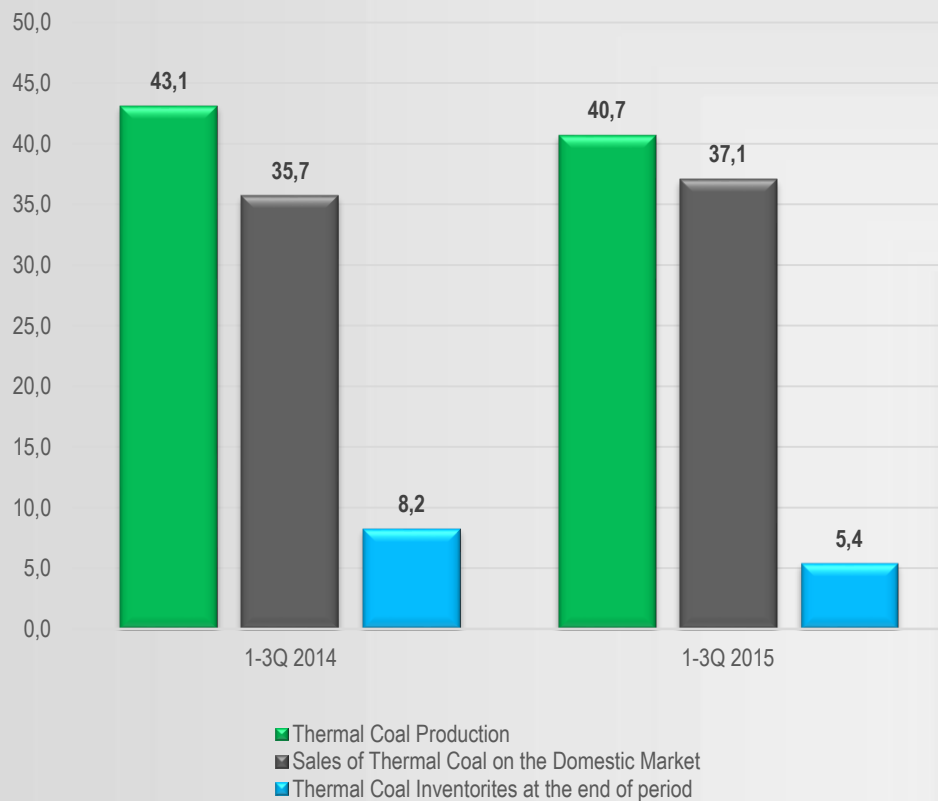
PERFORMANCE OF POLISH COMPANIES*

- ✓ Silesian mines produced a total of **11.8m tonnes** in Q3 2015, a decrease of **3.6%** in comparison to Q3 2014, and in 1-3Q 2015 **34.8m tonnes** – down **4.6%** in comparison to 1-3Q 2014
- ✓ **Thermal coal inventories** at the mines at the end of Q3 2015 were **5,188.3k tonnes**, a decrease of **2,979.2k tonnes, i.e. 36.5%**, vs. Q3 2014. Comparing thermal coal inventories at mines at the end of Q3 2015 to Q2 2015, there was a decrease of 370.9k tonnes, or 6.7%.
- ✓ In Q3 2015 **domestic sales of thermal coal were 10,445.1k tonnes** (67.1% of total sales of coal), down **1.4% (i.e. 146.4k tonnes)** from Q3 2014, and in 1-3Q 2015 **31,164.2k tonnes vs. 28,891.4k tonnes** in 1-3Q 2014 (up 7.9%, i.e. 2,272.7k tonnes)
- ✓ The average **cost of thermal and coking coal** in Q3 2015 was **PLN 288.76 /t**, a decrease of over **14.2%** in Q3 2014, and in 1-3Q 2015 the cost was **PLN 310.90 /t** – a decrease of **7.0%** vs. 1-3Q 2014.

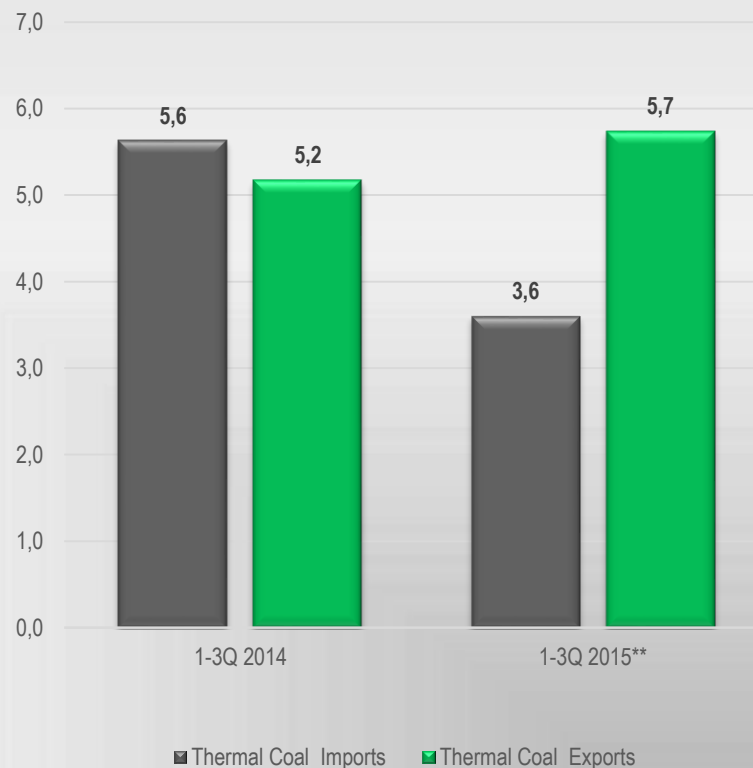
... AS A FACTOR AFFECTING LEVELS OF COAL PRODUCTION, SALES AND INVENTORIES



**Thermal coal production, domestic sales and inventories
(million tonnes)**



**Thermal coal imports and exports
(million tonnes)**



*data do not include Silesia, Siltech, Ekoplus

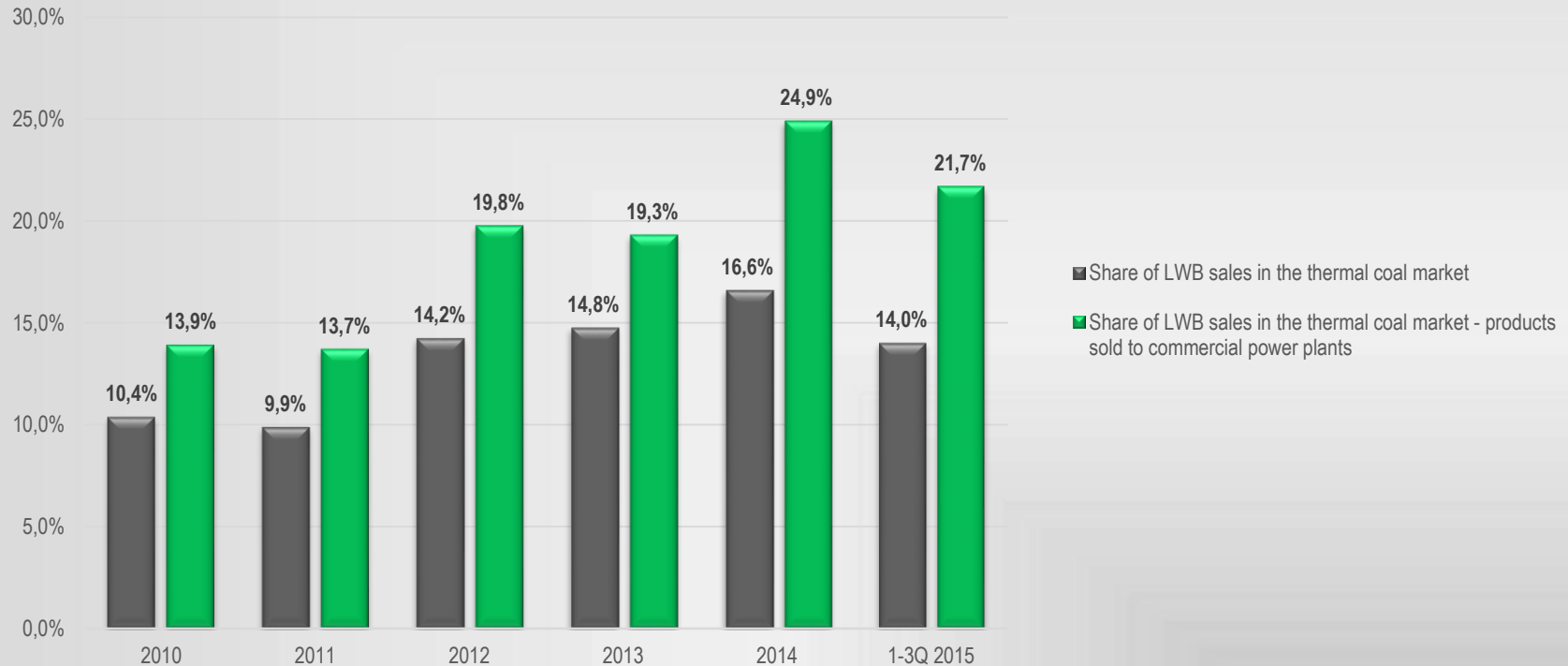
**Data for 1-3Q 2015 estimated by the Company based on data for the first 8 months of 2015.

Source: ARP

MARKET POSITION OF LW BOGDANKA S.A.



MARKET SHARE [2010 – 2015]



- ✓ In Q3 2015 LWB's share of the thermal coal market **grew 1.9%, to 14.7%**, and the share of the market of thermal coal sold to commercial power plants **rose by 4.8%, to 24.2%**, compared to Q2 2015. The increase in market share was caused by 'normalization' of the coal market following a period of significant declines connected with the sell-off of coal by KW.

AGENDA



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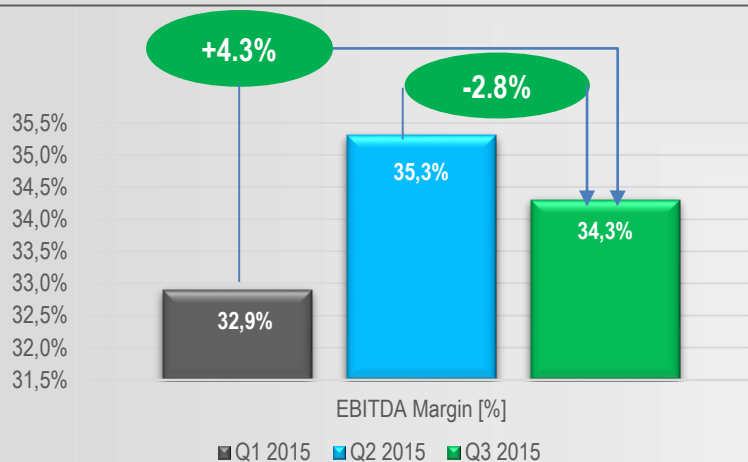
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POSITIVE IMPACT OF COST OPTIMIZATION AND CAPEX REDUCTION ON THE COMPANY'S RESULTS – Q3 2015

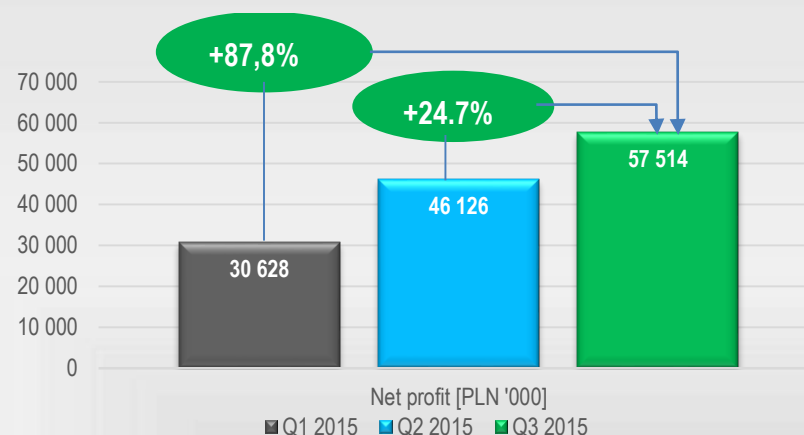


Thanks to flexibility (outsourcing), cost controls, and optimization of capex, the company achieves financial ratios at high level despite the difficult situation on the coal market and the aggressive price policy applied by KW S.A.

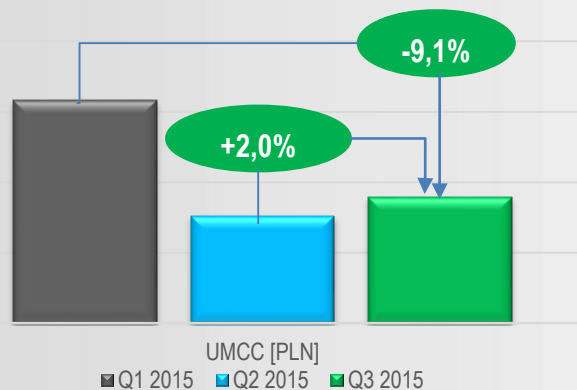
EBITDA margin about 34.3% in Q3 2015, from 32.9% in Q1 2015 and 35.3% in Q2 2015



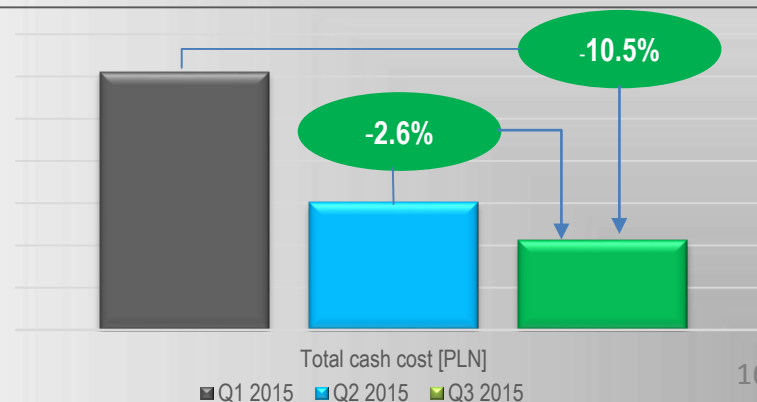
Net profit of PLN 58m in Q3 2015, compared to PLN 31m in Q1 2015 and PLN 46m in Q2 2015



UMCC in Q3 2015 9.1% lower than in Q1 2015 and 2.0% higher than in Q2 2015



Total cash cost = UMCC + capex/tonne – down 10.5% compared to Q1 2015 and 2.6% higher than in Q2 2015

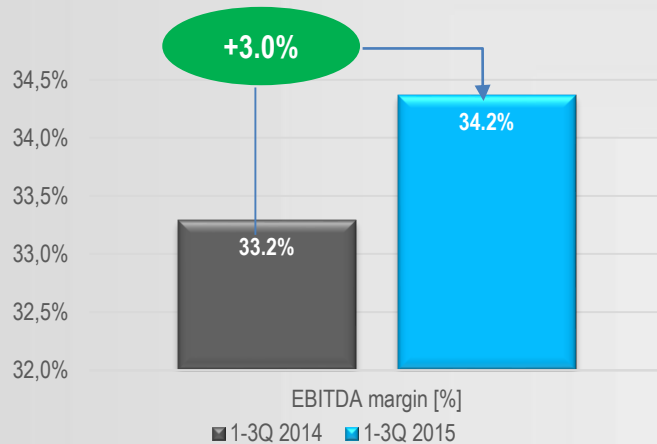




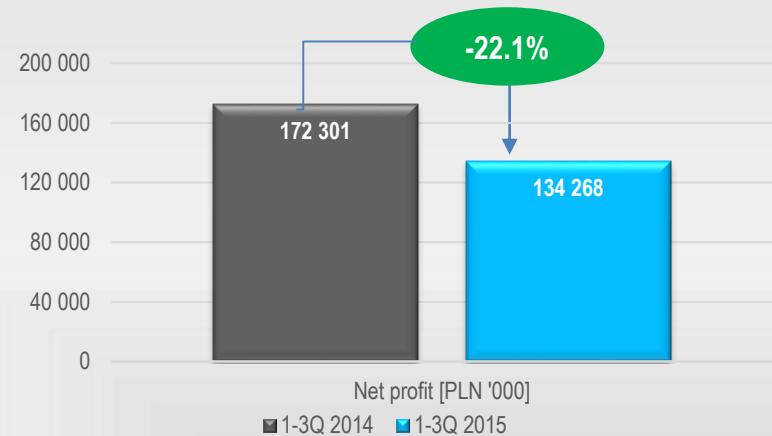
POSITIVE IMPACT OF COST OPTIMIZATION AND CAPEX REDUCTION ON THE COMPANY'S RESULTS – 1-3Q 2015

Thanks to flexibility (outsourcing), cost controls, and optimization of capex, the company achieves financial ratios at high level despite the difficult situation on the coal market and the aggressive price policy applied by KW S.A.

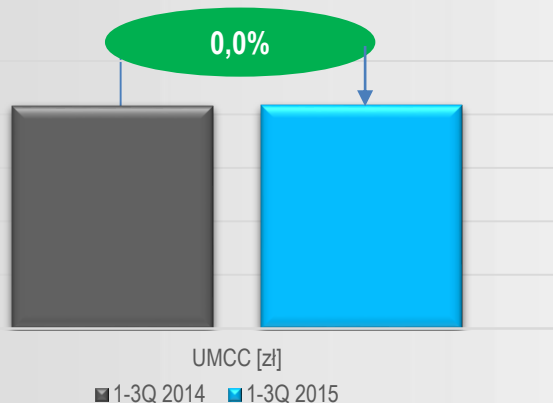
EBITDA margin of 34.4% in 1-3Q 2015, up from 33.3% in 1H 2014, an increase of 3.2%



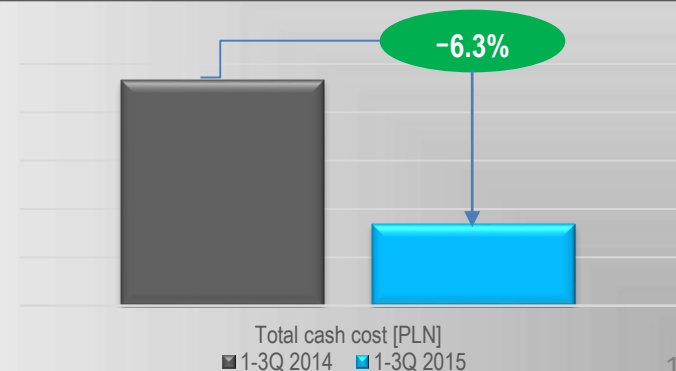
Net profit of PLN 134m in 1-3Q 2015, compared to PLN 172m in 1-3Q 2014, a decline of 22.1%.



UMCC almost at the same level in 1-3Q 2015 as 1-3Q 2014



Total cash cost = UMCC + capex/tonne – down 6.3% in 1-3Q 2015 compared to 1-3Q 2014



LW BOGDANKA GROUP RESULTS FOR Q3 2015 AND Q3 2014, 1-3Q 2015 AND 1-3Q 2014

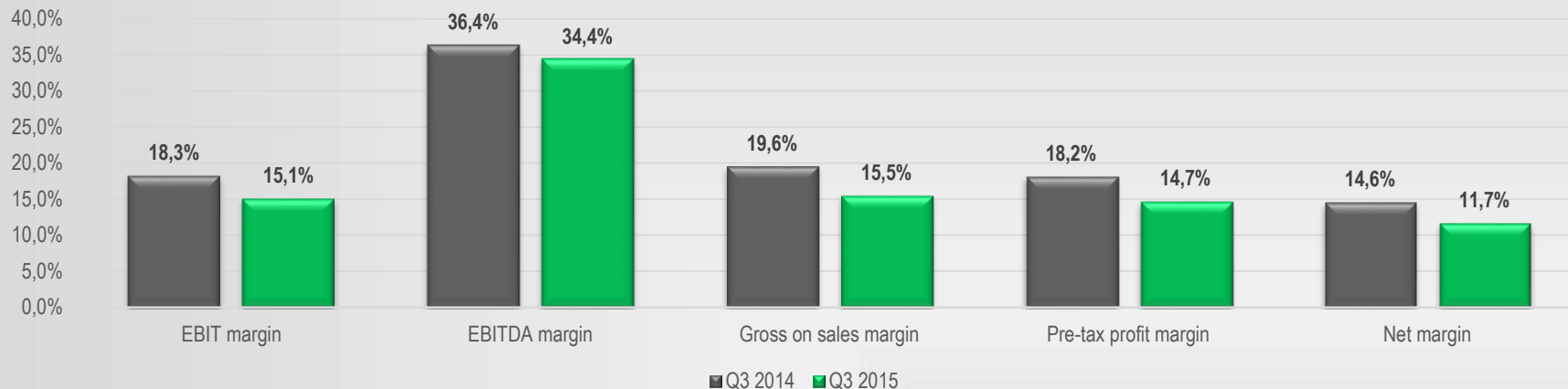


Item	Unit	Q3 2015	Q3 2014	Change % (Q3 2015/ Q3 2014)	1-3Q 2015	1-3Q 2014	Change % (1-3Q 2015/ 1-3Q 2014)
Technical and operating data							
Gross production	'000 tonnes	3,188	3,523	-9.5%	8,946	9,957	-10.2%
Net production	'000 tonnes	2,039	2,377	-14.2%	5,930	6,631	-10.6%
Coal sales	'000 tonnes	64.0%	67.5%	-5.2%	66.3%	66.6%	-0.6%
Inventories (end of period)	'000 tonnes	2,187	2,496	-12.4%	6,008	6,823	-11.9%
New workings (by length)	km	228	52	+338.5%	228	52	+338.5%
Coal yield	%	5.4	7.8	-30.8%	15.5	24.1	-35.7%
Financial data							
Revenue	PLN '000	483,424	544,973	-11.3%	1,326,984	1,490,344	-11.0%
Gross profit on sales	PLN '000	74,931	106,857	-29.9%	174,678	241,592	-27.7%
EBITDA	PLN '000	166,334	198,216	-16.1%	458,121	502,484	-8.8%
EBITDA margin	%	34.4%	36.4%	-5.5%	34.5%	33.7%	+2.4%
EBIT	PLN '000	73,225	99,950	-26.7%	174,545	226,608	-23.0%
EBIT margin	%	15.1%	18.3%	-17.5%	13.2%	15.2%	-13.2%
Net profit	PLN '000	56,639	79,370	-28.6%	132,137	170,794	-22.6%

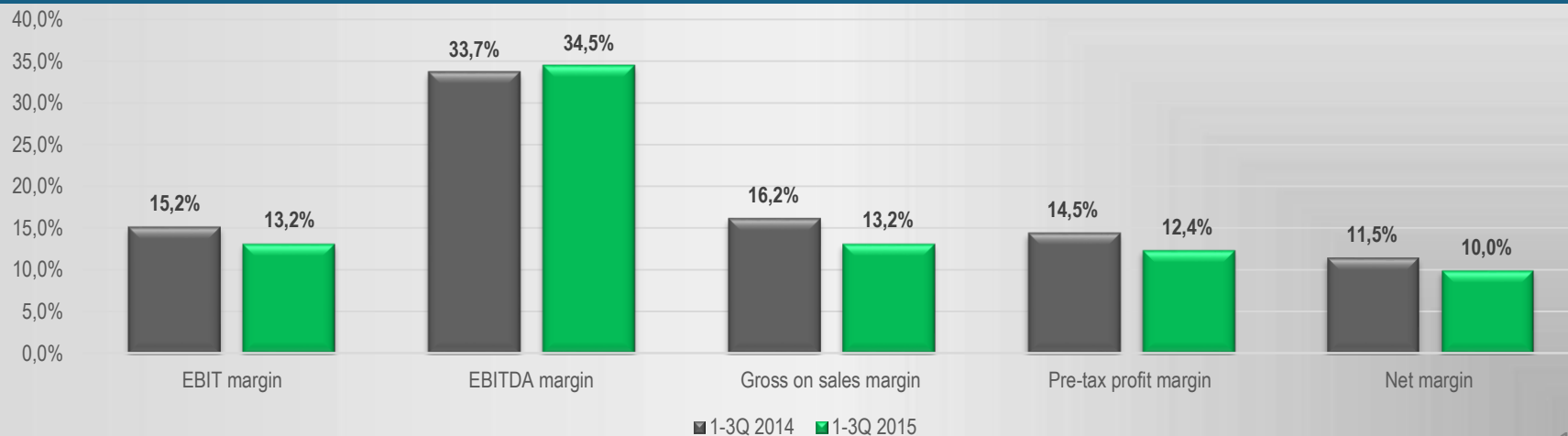
MARGINS FOR Q3 2014 AND Q3 2015, 1-3Q 2014 AND 1-3Q 2015



MARGINS IN Q3 2014 AND Q3 2015



MARGINS IN 1-3Q 2014 AND 1-3Q 2015



LW BOGDANKA GROUP RESULTS FOR Q3 2015 AND Q3 2014, 1-3Q 2015 AND 1-3Q 2014



Revenues

In 1-3Q 2015 the Group generated sales revenue of **PLN 1,327m** (a decline of **11.0%** compared to 1-3Q 2014)
✓ The volume of net extraction fell by 10.6% compared to 1-3Q 2014 (adjusting net production to suit level of coal sales)

Cost of products, goods and materials sold

In 1-3Q 2015 the costs of products, goods and materials sold decreased by 7.7% compared to the same period of the previous year, to PLN 1,152m.
✓ A decline in costs by nature of **10.5% in LWB (9.1% q/q)** and excluding amortization by **13.5% y/y (17.1% q/q)**, on a net decline in production of **10.6%**

Sales and administration expenses

Total sales and administration expenses in 1-3Q 2015 were **PLN 100m**, down **1.5%** from the same period of 2014 (PLN 101m), and in Q3 2015 alone were up 1.6% compared to Q3 2014

EBITDA

EBITDA for Q3 2015 was PLN 166m (margin 34.4%) compared to PLN 198m (margin 36.4%) in Q3 2014. For 1-3Q 2015 the Group generated an EBITDA margin of **34.5%, i.e. 0.8 p.p. higher than in 1-3Q 2014**. As a result of lower sales volume EBITDA for 1-3Q 2015 fell to **PLN 458m, i.e. 8.8%**, from 1-3Q 2014 (PLN 502m).

Operating profit (EBIT)

Operating profit in 1-3Q 2015 was **PLN 175m (down 23.0% from 1-3Q 2014)**. The **EBIT margin was 13.2%** in 1-3Q 2015 (2.0 p.p. lower than in 1-3Q 2014).

Net profit

In 1-3Q 2015 the Group earned a **net profit 22.6% lower** than in 1-3Q 2014, at **PLN 132m (2015) vs PLN 171m (2014)**.

LW BOGDANKA S.A.'S COSTS BY NATURE IN 2015



LW BOGDANKA S.A.'S COSTS BY NATURE IN Q3 2015 AND Q3 2014, 1-3Q 2015 AND 1-3Q 2014

Item [PLN '000]	Q3 2015	Q3 2014	1-3Q 2015	1-3Q 2014	CHANGE [Q3 2015 / Q3 2014]	CHANGE [1-3Q 2015 / 1-3Q 2014]
Depreciation and amortization	91,805	98,238	279,707	275,013	-6.5%	+1.7%
Materials and energy	96,899	114,578	290,191	348,304	-15.4%	-16.7%
External services	94,580	112,369	263,720	347,517	-15.8%	-24.1%
Employee cost and benefits	119,929	119,541	356,882	365,907	+0.3%	-2.5%
Entertainment and advertising	1,495	1,335	5,614	5,849	+12.0%	-4.0%
Taxes and charges	9,506	9,831	26,655	27,211	-3.3%	-2.0%
Other expenses	4,189	4,249	20,176	18,345	-1.4%	+10.0%
Costs by nature	418,403	460,141	1,242,945	1,388,146	-9.1%	-10.5%
Activities for the Company's own needs	-43,231	-61,273	-138,131	-187,903	-29.4%	-26.5%
Accruals and deferrals	18,420	29,796	41,009	52,374	-38.2%	-21.7%
Value of coal produced from excavations	-15,731	-25,358	-48,628	-74,846	-38.0%	-35.0%
Provisions and other presentation adjustments (IAS)	1,257	11,300	28,136	32,502	-88.9%	-13.4%
Total production costs	379,118	414,606	1,125,331	1,210,273	-8.6%	-7.0%
Change in product inventories	24,926	20,568	17,432	35,749	+21.2%	-51.2%
Value of goods and materials sold	3,338	3,496	8,807	8,684	-4.5%	+1.4%
Own cost of production sold, including	407,382	438,670	1,151,570	1,254,706	-7.1%	-8.2%
Costs of products, goods and materials sold	372,371	403,521	1,052,136	1,152,419	-7.7%	-8.7%
Selling costs	9,245	9,454	28,045	29,777	-2.2%	-5.8%
Administrative costs	25,766	25,695	71,389	72,510	+0.3%	-1.5%

LW BOGDANKA S.A.'s COSTS BY NATURE



Total costs by nature in 1-3Q 2015 were PLN 1,243m – a decline from 1-3Q 2014 of **10.5%**, i.e. by PLN 145m

Cash costs (without amortization) – down **13.5%**, i.e. by PLN 150m

Gross extraction – decline of **10.2%**

Length of workings – down **35.7%** (15.5 km in 2015 vs. 24.1 km in 2014)

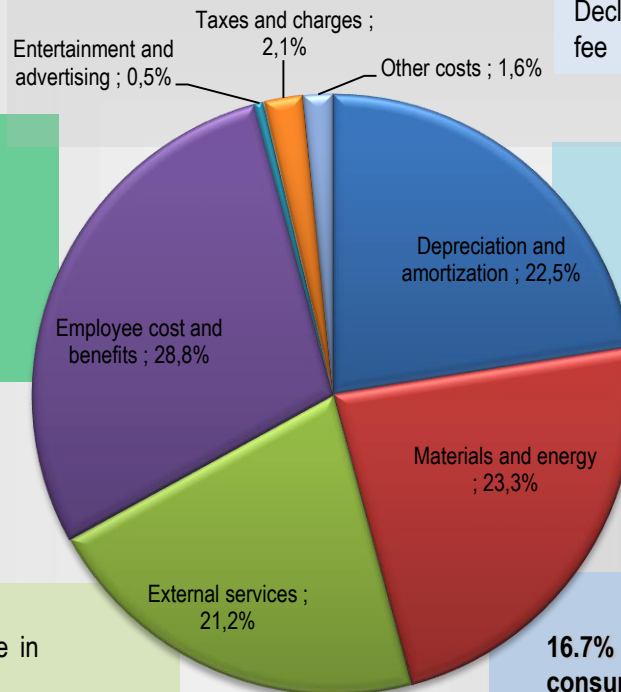
2.5% decrease in employee expenses:

- ✓ Lower costs of salaries and benefits
- ✓ Average salary at level from 1-3Q 2014
- ✓ Headcount as at 30 Sept. 2015 down 362 y/y

Total payments for employees and drilling-mining services (outsourcing) fell y/y by 7.4%

24.1% decline in value of external services:

- ✓ Reduction in costs of shipment of rock (9.9%) – decline in volume in connection with lower production
- ✓ Reduction in value of drilling and mining services (18.6%) – reduction of length of workings by 8.6 km
- ✓ Reduction of costs of rail transport services (33.0%) – (lower sales volume, where LWB was to ensure transport to the customer) – these costs are reinvoiced to the customer (neutral impact on EBIT)



Decline in **taxes and fees** of 2.0% y/y – lower exploitation fee

Amortization grew by 1.7%:

- ✓ Increase in value of tangible fixed assets by PLN 273,811k, to PLN 3,453,296k
- ✓ Natural amortization lower in 1-3Q 2015 than in 1-3Q 2014

16.7% decrease in value of materials and energy consumed:

- ✓ Decline in value of materials consumed by 20.1% (mainly on the part of preparation divisions)
- ✓ Decline in costs of energy consumption by 2.8% due to the decrease in average electricity purchasing costs

LW BOGDANKA CAPITAL GROUP'S BALANCE-SHEET PROVISIONS



GROUP'S ON-BALANCE-SHEET PROVISIONS AT THE END OF Q3 2015, FY 2014 AND Q3 2014

Item [PLN '000]	As at 30.09.2015	As at 31.12.2014	As at 30.09.2014	Change 30.09.2015/ 31.12.2014 [%]	Change 30.09.2015/ 30.09.2014 [%]
Employee provisions	241,245	226,724	236,641	+6.4%	+1.9%
Liabilities under local property tax	24,388	23,258	34,044	+4.9%	-28.4%
Mine decommissioning provision	115,744	123,585	116,008	-6.3%	-0.2%
Mining damage	7,527	9,155	11,587	-17.8%	-35.0%
Accident insurance premium (ZUS)	18,396	15,901	12,414	+15.7%	+48.2%
Other	27,885	25,295	25,041	+10.2%	+11.4%
TOTAL	435,185	423,918	435,735	+2.7%	-0.1%

LW BOGDANKA CAPITAL GROUP'S BALANCE-SHEET PROVISIONS CONT.



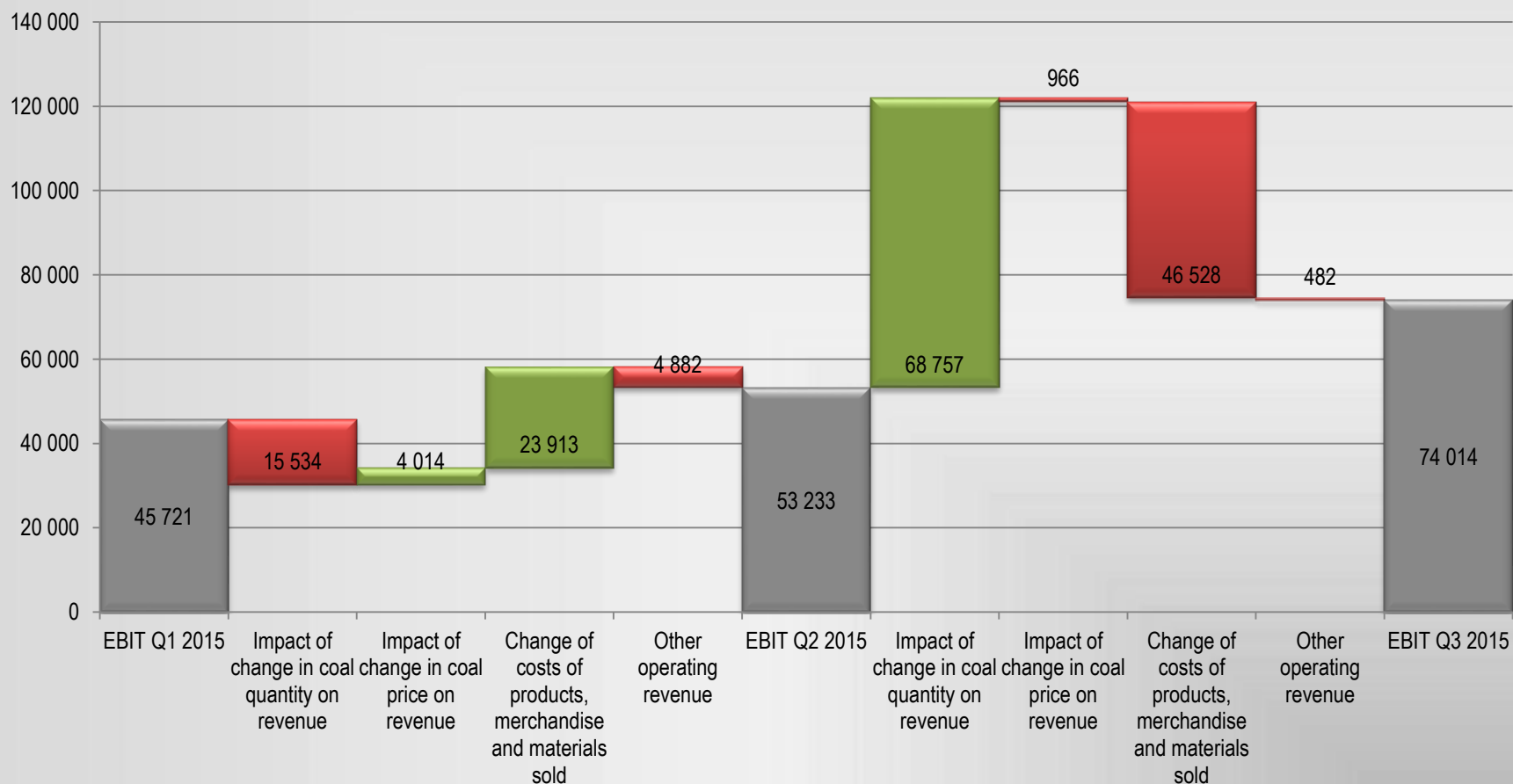
CHANGE IN GROUP'S PROVISIONS IN 1-3Q 2015 AND 1-3Q 2014

Item [PLN '000]	Change in 1-3Q 2015	Change in 1-3Q 2014	Change 2015/2014 [%]
Employee provisions	+14,521	+36,611	-60.3%
Liabilities under local property tax	+1,130	+6,198	-81.8%
Mine decommissioning provision	-7,841	+30,730	-
Mining damage	-1,628	-1,346	+21.0%
Accident insurance premium (ZUS)	+2,495	+12,414	-79.9%
Other	+2,590	+983	+163.5%
TOTAL	+11,267	+85,590	-86.8%

ANALYSIS OF CHANGE IN EBIT OF LW BOGDANKA IN Q1 2015 – Q3 2015



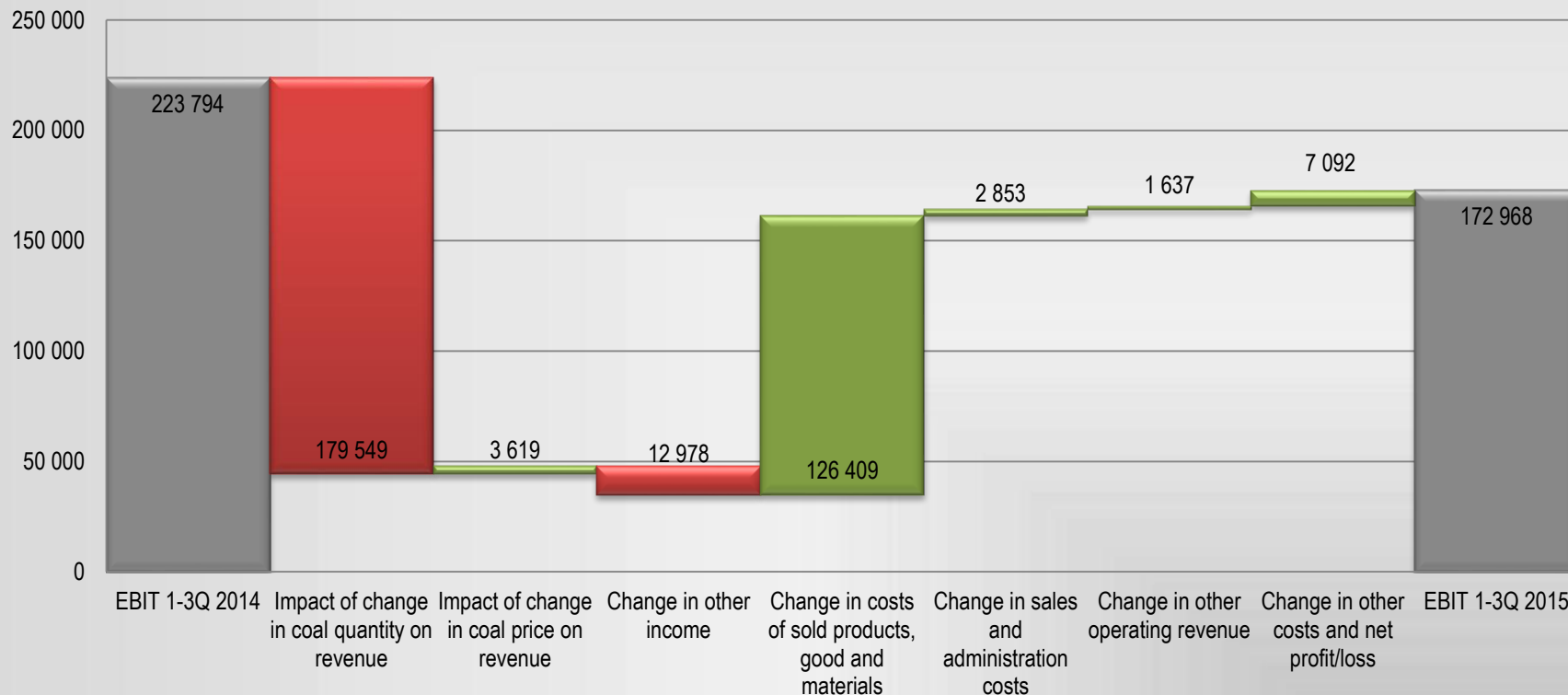
Variance analysis of EBIT of LWB – Q3 2015/Q2 2015/Q1 2015 (PLN '000)



ANALYSIS OF CHANGE IN EBIT OF LW BOGDANKA IN 1-3Q 2015 VS 1-3Q 2014



Variance analysis of EBIT of LWB – 1-3Q 2015/1-3Q 2014 (PLN '000)



Factors influencing change in EBIT:

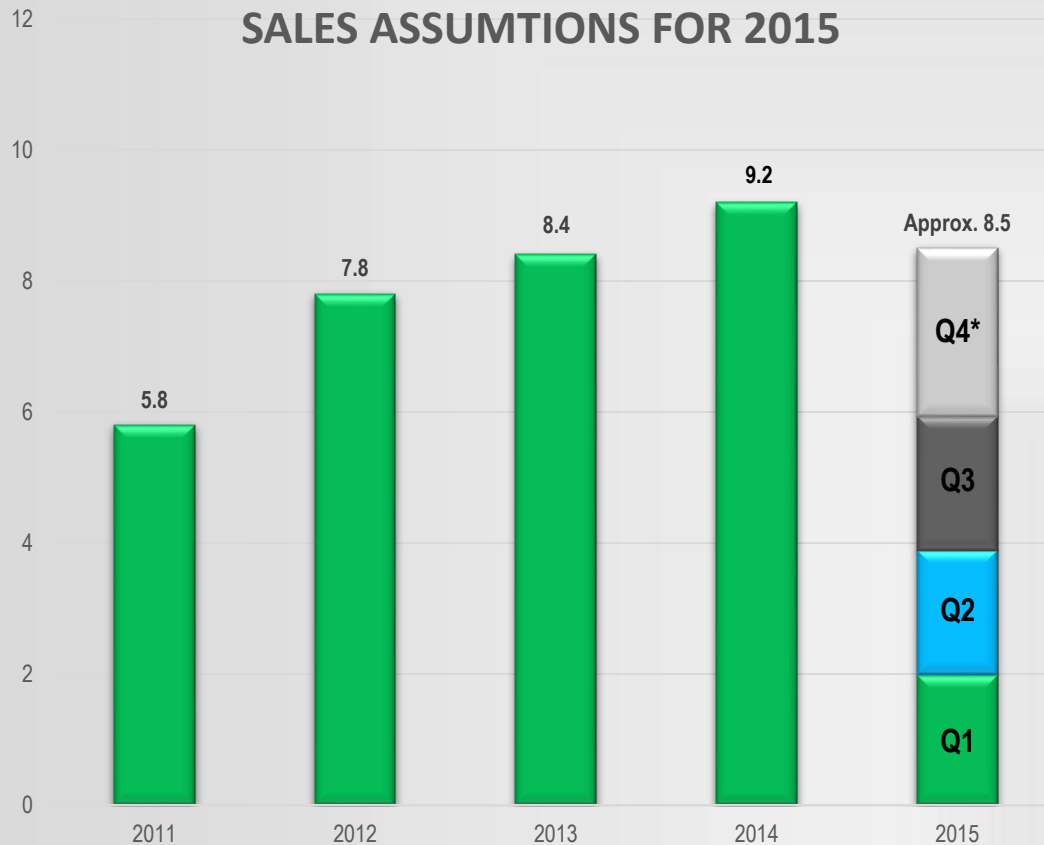
- ✓ Decline in sales quantity by 814k tonnes (11.9%)
- ✓ Sales price of coal slightly higher in 1-3Q 2015
- ✓ Reduction of costs by nature by PLN 145m, including cash costs by PLN 150m
- ✓ Decline in costs of products, goods and materials sold by PLN 126m

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MAINTAINING OF PRODUCTION TARGETS FOR 2015



- ✓ Sales assumptions for 2015 call for production of about 8.5m tonnes of coal, maintaining production capacities at 10.5 – 11.5m tonnes
- ✓ A risk has materialized of reduction of volumes in contracts with customers controlled by the State Treasury
- ✓ LW Bogdanka has reinforced its sales team and is working on winning contracts with small and medium-sized customers
- ✓ In Q4 2015 LW Bogdanka will significantly increase production and consequently sales (the company's achieved production capacity represents over 2.5m tonnes of extraction in the quarter)

* Sales plan in Q4 2015

Source: In-house data

ASSUMPTIONS OF SAVINGS PROGRAM FOR 2015



In connection with forecasts of further pressure on global coal prices and the oversupply on the Polish market caused by the aggressive pricing policy of the state-subsidized KW S.A., Bogdanka adopted a restructuring program to be implemented for 2015.

The key objective is to “secure cash” through significant savings in costs and investment plans, on the basis of three key elements:



Optimization of production plan:
c. 8.5m tonnes
Production in 1-3Q: 6m t
Plan for 4Q: 2.5m t



Significant reduction in ‘permanent’ headcount and outsourced services
-400
**Achieved:
about 90%**



Cut of capex to about PLN 360m
**Capex in 1-3Q:
about PLN 220m**

LW BOGDANKA'S GROUP CAPEX IN 1-3Q 2015 AND BUDGET FOR 2015



Item [PLN '000]	Plan for 2015	Updated plan for 2015	Actual capex in 1-3Q 2015	Realization of plan [%]	Plan change
Obtaining new concessions*	49,972	44,969	1,755	3.9%	-5,003
Modernization and repair of machinery and equipment	100,090	42,633	36,039	84.5%	-57,457
Other operating investments	99,878	72,504	40,612	56.0%	-27,374
Purchase and assembly of longwall systems	1,750	3,087	3,047	98.7%	+1,337
New workings and modernization of existing workings	309,112	198,196	138,476	69.9%	-110,916
TOTAL CAPEX FOR LW BOGDANKA**	560,802	361,389	219,929	60.9%	-199,413
ŁĘCZYŃSKA ENERGETYKA AND OTHER SUBSIDIARIES	19,897	18,981	12,292	64.8%	-916
TOTAL CAPEX FOR GK LW BOGDANKA	580,699	380,370	232,221	61.1%	-200,329

*The plan for 2015 reflects the full value of fees for use of geological information, which is payable in instalments and spread out over a longer period. The full value of geological information is PLN 27,988,733. In 2015 the payment anticipated to be due immediately after signing of the contract for use of geological information is 10% of the contract value. The remaining portion will be payable in ten annual instalments beginning from the year in which the company obtains a concession for extraction.

**The sum of capital expenditures does not include the capitalized costs of external financing.

AGENDA

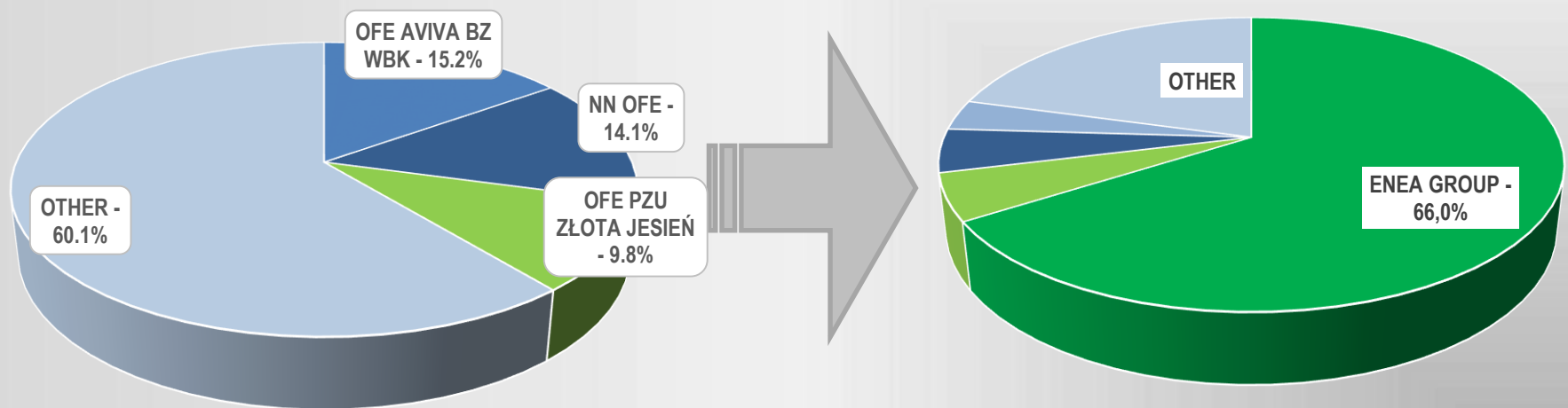


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CHANGES IN SHAREHOLDER STRUCTURE

- On 14 September 2015 ENEA Grupa announced a tender offer for sale of shares in Lubelski Węgiel Bogdanka S.A.
- As a result of the tender offer, Enea acquired 64.57%, 21,962,189 shares, thus giving it, together with its subsidiary ENEA Wytwarzanie Sp. z o.o., the right to 22,448,969 votes at the general meeting of Bogdanka (66%).



STATEMENT OF THE MANAGEMENT BOARD ON THE TENDER OFFER TO ACQUIRE THE COMPANY'S SHARES



On 28 September 2015 the Management Board presented its statement on the tender offer to acquire the shares of the Company.

Having consideration for the context of the Tender Offer, the Company's Management Board, along with KPMG, have analyzed potential scenarios and options for the future development of the Company.

The analyses covered the scenarios in which the Company operates as a stand-alone and independent entity, and as a part of a larger power and mining group.

The above analyses cover circumstances key for the Company's financial standing in the future, including:

- The fact of terminating the long-term agreement for the supply of coal by ENEA Wytwarzanie on 21 August 2015
- Possible continuation of cooperation with ENEA and the scope of such cooperation
- Possible sales volumes to customers other than the Acquirer's Group
- Current situation of the mining sector in Poland and globally, political context, and possible trends of coal pricing in the future
- Other material issues with a direct bearing on the Company's future operations.

Having read the opinion drawn up by the adviser, and based on the premises presented above, the Company's Management Board is of the opinion that the price suggested in the Tender Offer corresponds to the requirements of the minimum price and corresponds to the fair value of the Company.



SYNERGIES FLOWING FROM ACQUISITION

As a result of acquisition of 64.57% of the company's shares by ENEA S.A., synergies have arisen which have a positive impact on the company's activity in terms of revenues generated, costs incurred, and market position. These include:

- Stabilization of the coal sales market in terms of contracts currently in force with the majority shareholder, as well as the possibility of expanding supplies in the future (contract for supply of coal to the new generating unit in Kozenice)
- Increased exploitation of production capacity despite a difficult market, and consequently a reduction in costs due to economies of scale
- Possibility of conducting a more intensive sales policy thanks to lower extraction costs in the industry
- Possibility of obtaining better transport prices thanks to joint negotiation of contracts for cooperation with shipping and logistics firms

SUMMARY



Production in 1-3Q 2015 was adjusted to suit the sales capabilities resulting from the schedule of deliveries to the company's customers. We maintain the sales forecasts for FY 2015 at 8.5m tonnes.



In Q4 2015 LW Bogdanka will significantly increase its production and consequently sales (the company's projected production capacity represents over 2.5m tonnes of extraction).



The company is consistently realizing its savings program, calling for significant reduction of investment expenditures, optimization of headcount, and savings on external services.



Despite the difficult situation on the coal market and a decline in sales, the company achieved a high EBITDA margin (34.4%) thanks to consistent implementation of its cost optimization program (decline in UMCC in Q3 2015 against Q1 2015 by 9.1%). In 1-3Q 2015 CFFO was +PLN 140m.



Transactions for acquisition of shares in the company by ENEA S.A. were completed on 26 Oct. 2015, as a result of which Grupa ENEA S.A. holds a total of 66% of the votes at the company's general meeting.



In connection with the difficult situation on world markets (oversupply of coal, falling commodity prices) and on the Polish market (sell-off of inventories by KW S.A.), there is strong pressure from customers on prices and sales volumes for 2016.

THANK YOU



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AGENDA

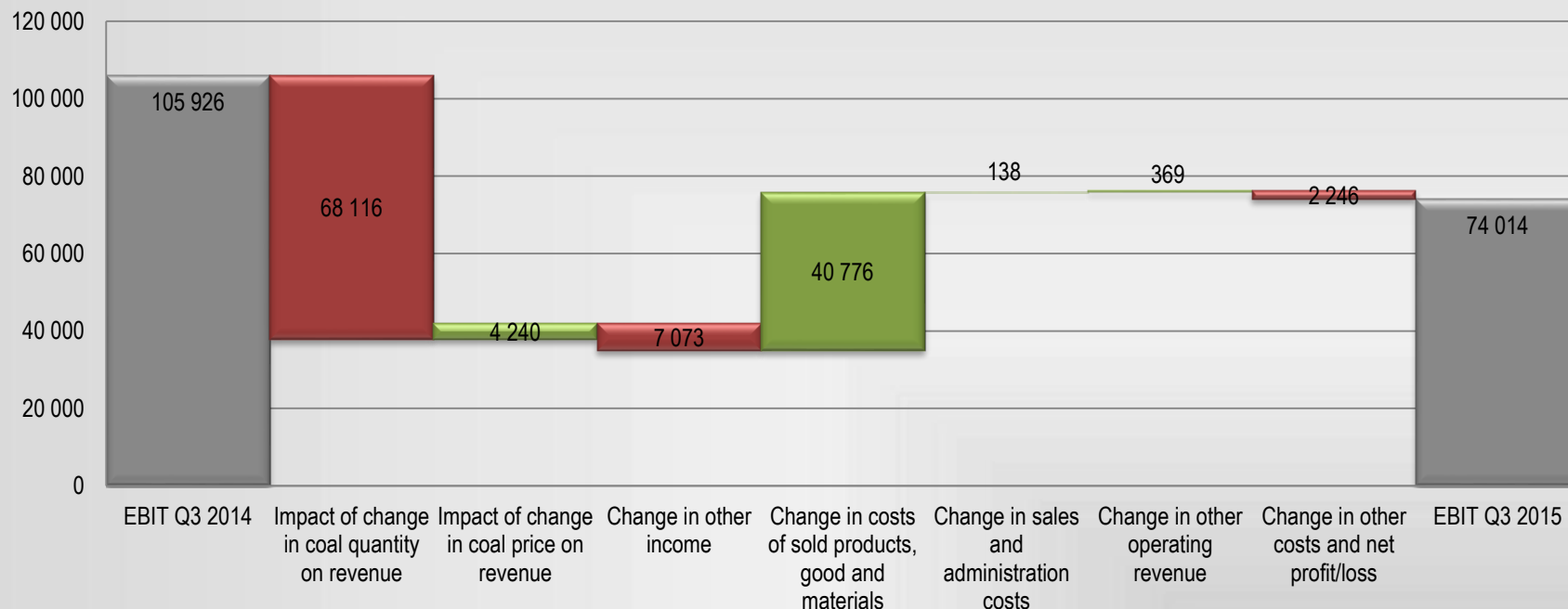


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ANALYSIS OF CHANGE IN EBIT OF LW BOGDANKA FOR Q3 2015 vs Q3 2015



Variance analysis of EBIT of LWB – Q3 2015/Q3 2014 (PLN '000)



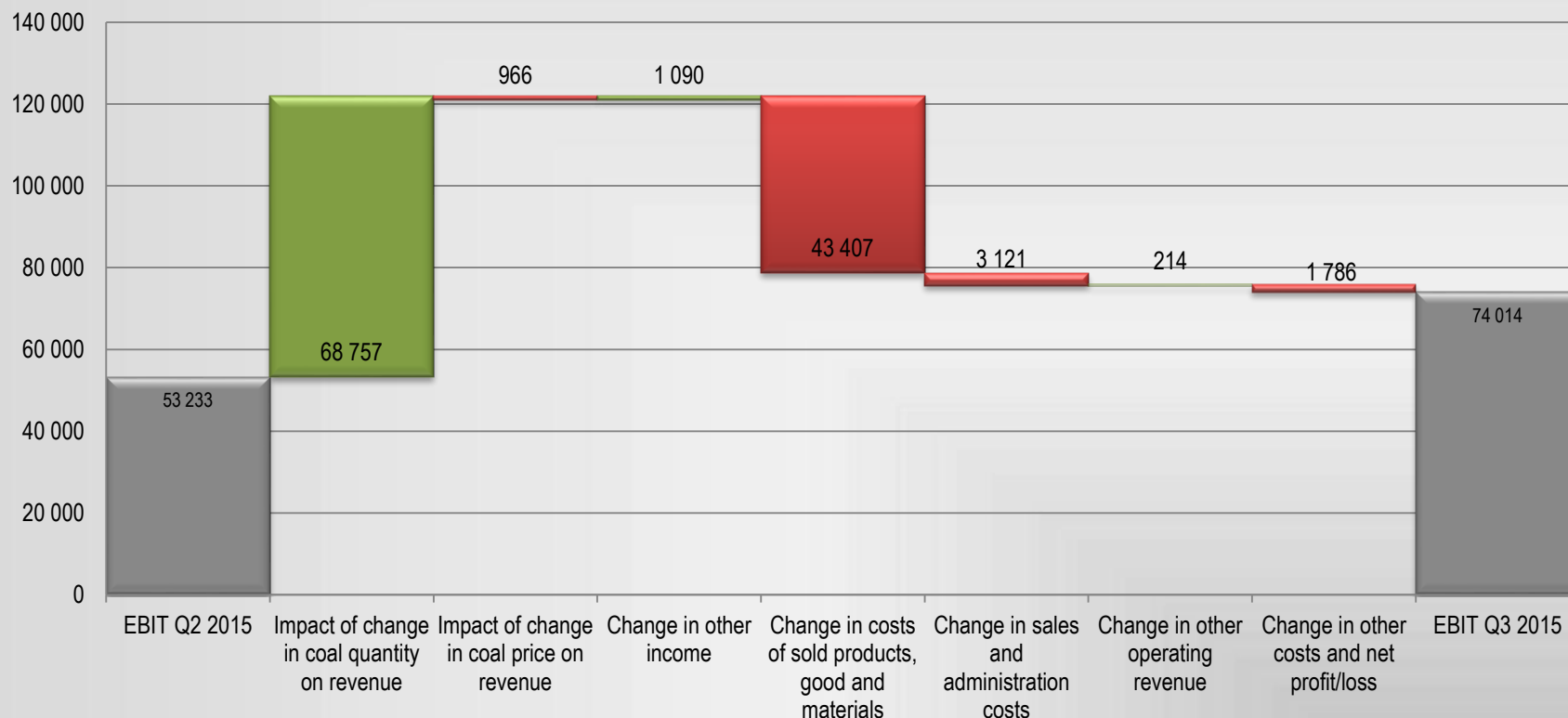
Factors contributing to change in EBIT:

- ✓ Decline in sales volume by 308k tonnes (12.4%)
- ✓ Sale price of coal higher than in Q3 2014 (increase of sale price of coal caused by increase in energy value of the coal)
- ✓ Reduction of costs by nature by PLN 42m, including cash costs by PLN 35m
- ✓ Decrease in costs of products, good and materials sold by PLN 41m

ANALYSIS OF CHANGE IN EBIT OF LW BOGDANKA FOR Q3 2015 vs Q2 2015



Variance analysis of EBIT of LWB – Q3 2015/Q2 2015 (PLN '000)



Factors contributing to change in EBIT:

- ✓ Increase in sales volume by 311k tonnes (16.6%)
- ✓ Sale price of coal in Q3 2015 slightly lower than in Q2 2015
- ✓ Increase in costs by nature by PLN 32m, including cash costs by PLN 34m
- ✓ Increase in costs of products, good and materials sold by PLN 43m

CHANGES IN PROVISIONS AT LW BOGDANKA CAPITAL GROUP AND THEIR IMPACT ON FINANCIAL RESULT



CHANGES IN PROVISIONS AT LW BOGDANKA CAPITAL GROUP 1-3Q 2015 AND IN 1-3Q 2014 AND THEIR IMPACT ON FINANCIAL RESULT IN THE ANALYZED PERIOD

Item [PLN '000]	Change in provisions in 1-3Q 2015	Impact on financial result in 1-3Q 2015	Change in provisions in 1-3Q 2014	Impact on financial result in 1-3Q 2014
Employee provisions	+14,521	-40,317	+36,611	-45,519
Liabilities under local property tax	+1,130	- 6,375	+6,198	- 6,198
Mine decommissioning provision	-7,841	- 5,001	+30,730	- 6,415
Mining damage	-1,628	-	-1,346	-
Accident insurance premium (ZUS)	+2,495	- 2,495	+12,414	-12,414
Other	+2,590	- 2,821	+983	- 1,707
TOTAL	+11,267	- 57,009	+85,590	- 72,253

CHANGES IN PROVISIONS AT LW BOGDANKA CAPITAL GROUP AND THEIR IMPACT ON FINANCIAL RESULT



CHANGES IN PROVISIONS AT LW BOGDANKA CAPITAL GROUP IN Q3 2015 AND THEIR IMPACT ON FINANCIAL PROFIT/LOSS IN THE ANALYZED PERIOD

Item [PLN '000]	Change in provisions in Q3 2015	Change reflected in operating activity (EBITDA)	Change reflected below operating result – interest	Including:		
				Change reflected only in balance sheet – increase in balance sheet value of fixed assets	Change reflected in Other Total Income	Change reflected only in balance sheet – use of provisions
Employee provisions	-4,015	+3,808	+1,583	-	+1,024	-10,430
Liabilities under local property tax	-1,002	+1,788	-	-	-	-2,790
Mine decommissioning provision	+2,960	+893	+850	+1,217	-	-
Mining damage	-380	-	-	-	-	-380
Accident insurance premium (ZUS)	+330	-	+330	-	-	-
Other	+2,250	+1,959	+291	-	-	-
TOTAL	+143	+8,448	+3,054	+1,217	+1,024	-13,600

CHANGES IN PROVISIONS AT LW BOGDANKA CAPITAL GROUP AND THEIR IMPACT ON FINANCIAL RESULT



CHANGES IN PROVISIONS AT LW BOGDANKA CAPITAL GROUP IN 1-3Q 2015 AND THEIR IMPACT ON FINANCIAL RESULT IN THE ANALYZED PERIOD

Item [PLN '000]	Change in provisions in 1-3Q 2015	Change reflected in operating activity (EBITDA)	Change reflected below operating result – interest	Including:		
				Change reflected only in balance sheet – increase of balance sheet value of fixed assets	Change reflected in Other Total Income	Change reflected only in balance sheet – use of provisions
Employee provisions	+14,521	+36,098	+4,219	-	+137	-25,933
Liabilities under local property tax	+1,130	+6,375	-	-	-	-5,245
Mine decommissioning provision	-7,841	+2,452	+2,549	-12,842	-	-
Mining damage	-1,628	-	-	-	-	-1,628
Accident insurance premium (ZUS)	+2,495	+1,538	+957	-	-	-
Other	+2,590	+1,959	+862	-	-	-231
TOTAL	+11,267	+48,422	+8,587	-12,842	+137	-33,037

ANALYSIS OF THE CONSOLIDATED INCOME STATEMENT OF LW BOGDANKA CAPITAL GROUP



Item [PLN '000]	Q3 2015	Q3 2014	Change (Q3 2015/ Q3 2014)	1-3Q 2015	1-3Q 2014	Change (1-3Q 2015/ 1-3Q 2014)
Revenue	483,424	544,973	-11.3%	1,326,984	1,490,344	-11.0%
Cost of products, merchandise and materials sold, distribution cost, administrative expenses	408,493	438,116	-6.8%	1,152,306	1,248,752	-7.7%
Gross profit	74,931	106,857	-29.9%	174,678	241,592	-27.7%
Gross margin	15.5%	19.6%	-20.9%	13.2%	16.2%	-18.5%
Other income	414	274	+51.1%	2,430	1,102	+120.5%
Other expenses	216	299	-27.8%	599	1,298	-53.9%
Net operating profit/loss	75,29	106,832	-29.7%	176,509	241,396	-26.9%
Other net gains	-1,904	-6,882	-72.3%	-1,964	-14,788	-86.7%
Operating profit (EBIT)	73,225	99,950	-26.7%	174,545	226,608	-23.0%
EBIT margin	15.1%	18.3%	-17.5%	13.2%	15.2%	-13.2%
EBITDA	166,334	198,216	-16.1%	458,121	502,484	-8.8%
EBITDA margin	34.4%	36.4%	-5.5%	34.5%	33.7%	+2.4%
Finance income	1,373	2,328	-41.0%	4,635	6,929	-33.1%
Finance costs	3,623	3,231	+12.1%	14,993	17,694	-15.3%
Profit before tax	70,975	99,047	-28.3%	164,187	215,843	-23.9%
Pre-tax profit margin	14.7%	18.2%	-19.2%	12.4%	14.5%	-14.5%
Income tax	14,336	19,677	-27.1%	32,050	45,049	-28.9%
Net profit for the reporting period	56,639	79,370	-28.6%	132,137	170,794	-22.6%
Net margin	11.7%	14.6%	-19.9%	10.0%	11.5%	-13.0%
- attributable to owners of the Dominant Entity	56,696	80,218	-29.3%	132,040	171,435	-23.0%

STATEMENT OF FINANCIAL POSITION OF LW BOGDANKA CAPITAL GROUP



Item [PLN '000]	30.09.2015	31.12.2014
Non-current assets, including:	3,662,482	3,730,165
Cash and cash equivalents	89,947	88,832
Current assets, including:	626,853	634,250
Cash and cash equivalents	235,776	195,481
Total assets	4,289,335	4,364,415
Current liabilities	581,574	669,307
Non-current liabilities	1,168,271	1,171,281
Total liabilities	1,749,845	1,840,588
Equity	2,539,490	2,523,827
Current borrowings	2,783	100,526

CASH FLOWS OF LW BOGDANKA GROUP



Item [PLN '000]	1-3Q 2015	1-3Q 2014
Net cash flows on operating activities	504,566	566,946
Cash inflow from operating activities	521,773	597,526
Interest received	3,084	2,049
Income tax paid	-20,291	-32,629
Net cash flows on investing activities	-364,382	-428,294
Acquisition of property, plant and equipment	-358,464	-418,209
Interest paid regarding investing activity	-8,049	-10,729
Acquisition of intangible assets	-739	-2,006
Inflow from the sale of property, plant and equipment	1,469	61
Interest received	2,516	3,820
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	-1,115	-1,231
Net cash flows on financing activities	-99,889	76,340
Proceeds from loans and borrowings	5,979	2,995
Proceeds from issue of bonds	-	500,000
Repayments of loans and borrowings	-99,008	-421,000
Interest and commissions paid due to financing activities	-6,860	-5,355
Dividends paid	-	-311
Other net cash flow on financing activities	-	11
Net increase (decrease) in cash and cash equivalents	40,295	214,992
Cash and cash equivalents at beginning of period	195,481	212,004
Cash and cash equivalents at end of period	235,776	426,996
CFFO*	140,184	138,652

* sum of cash flows from operating and investing activities
Source: In-house data

SALES STRUCTURE AT LW BOGDANKA CAPITAL GROUP IN Q3 2015 AND Q3 2014



Item [PLN '000]	Q3 2015	Share [%]	Q3 2014	Share [%]
Coal sales	466,584	96.5%	520,855	95.6%
Ceramics sales	281	0.1%	801	0.1%
Other activities	13,208	2.7%	19,769	3.6%
Sales of merchandise and materials	3,351	0.7%	3,548	0.7%
Total revenue	483,424	100.0%	544,973	100.0%

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