



LUBELSKI WĘGIEL
„BOGDANKA”
SPÓŁKA AKCYJNA

**Presentation of results
the LW Bogdanka Group
Q3, Q1-Q3 2016**

We are part of a modern capital group involved in raw materials and energy operations



Situation on the coal market and key operating data

**Financial highlights of the LW Bogdanka Group
in Q3, Q1-Q3 2016**

Performance of the plan in Q3, Q1-Q3 2016

Appendices – Financial information



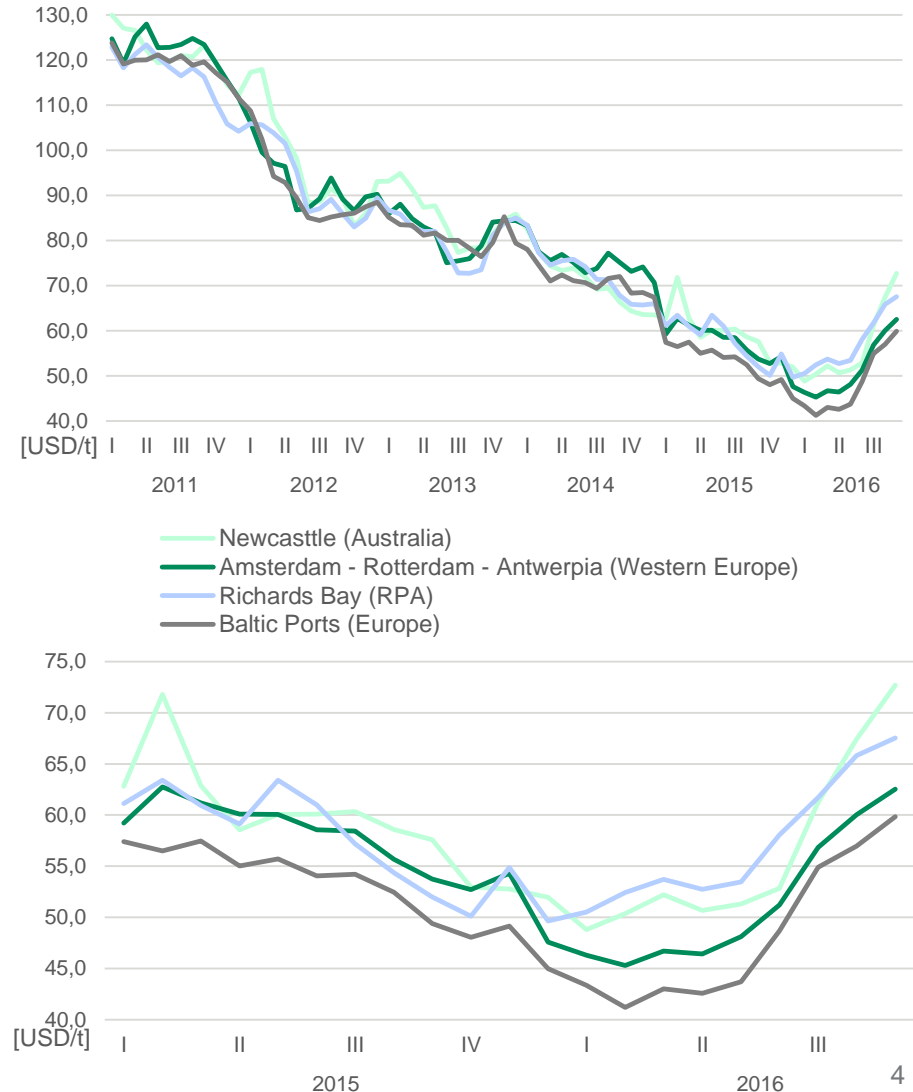


Upward trend in global coal prices since the beginning of the year, slight increases in thermal coal on the domestic market in September



Reflection of coal prices in international market

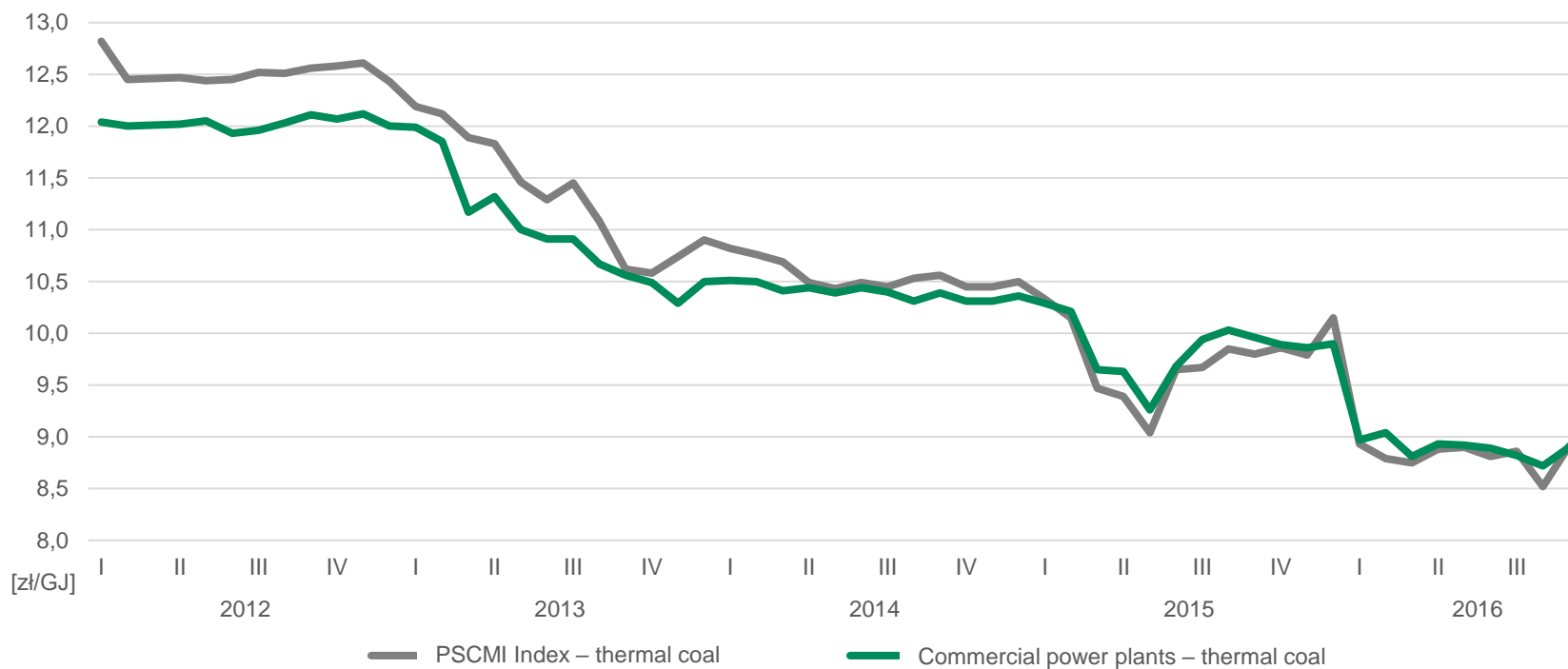
- ✓ In Q1-Q3 2016, the average CIF ARA price amounted to USD 51.45 per tonne, which is about 12% less than in the same period of 2015.
- ✓ In Q3 2016, the average CIF ARA price amounted to USD 60.34 per tonne, which is about 8% more than in Q3 2015, almost 24% more than in Q2 2016 and over 33% more than in Q1 2016.
- ✓ In September 2016, the average CIF ARA price amounted to USD 63.15 per tonne, which represents an increase of about 18% as compared to September 2015, and an increase of almost 38% as compared to the beginning of 2016.
- ✓ Between January 2011 and September 2016, the CIF ARA price decreased by about 49%, while the average price in September 2016 (USD 60.34 per tonne) is the highest average price since December 2014.
- ✓ At the end of September, there were about 3.4 million tonnes of coal in the ARA ports, which shows a decline by about 2.7 million tonnes as compared to September 2015. In comparison with the end of June 2016, the amount of coal increased by 0.5 million tonnes.
- ✓ The coal price also went up in other major ports in the world, and at the end of September reached the following amounts:
 - FOB Baltic Ports - USD 67.83 /tonne, ca. 54% growth
 - FOB Richards Bay - USD 73.50 /tonne, ca. 47% growth
 - FOB Newcastle - USD 80.20 /tonne, ca. 58% growth
 - FOB Puerto Bolivar - USD 66.00 /tonne, ca. 42% growth
- ✓ In Q1-Q3 2016, about 488 million tonnes of coal were produced in US (decrease of about 22% y/y)
- ✓ In Q1-Q3 2016, about 2.5 billion tonnes of coal were produced in China (decrease of about 11% y/y)
- ✓ In Q1-Q3 2016, China imported about 180 million tonnes of coal (increase of over 15% y/y)
- ✓ In Q1-Q3 2016, Russia produced about 284 million tonnes of coal (increase of about 6% y/y)
- ✓ In Q1-Q3 2016, Ukraine produced about 23 million tonnes of coal (decrease of about 2% y/y)
- ✓ October 2016 saw further significant increase in the coal price in all major ports.



Sources: ARP, TGE, www.polskirynekwegla.pl



September - slight increase in coal prices in the domestic market



- ✓ In the period between January and September 2016, the average price of fine thermal coal for commercial power plants was PLN 8.89 per GJ;
- ✓ The average price of fine thermal coal for commercial power plants decreased by about 9.8% y/y in the nine months of 2016;
- ✓ In 2015, the average annual price of fine thermal coal for commercial power plants was PLN 9.85 per GJ;
- ✓ Average heating value of fine coal for commercial power plants is about 21.4 GJ;
- ✓ The price of fine coal for commercial power plants declined by about 26% between January 2012 and September 2016;
- ✓ In the period between January and September 2016, the average price based on the PSCMI index was PLN 8.91 per GJ, which represents a decrease of over 10% in comparison to the same period of 2015;
- ✓ In 2015, the average price based on the PSCMI index was about PLN 9.76 per GJ.



Slight decline in extraction, increase in sales, low prices in Q3 2016 vs. Q3 2015

PERFORMANCE OF POLISH COMPANIES*:

Thermal coal:	Q3 2015	Q3 2016	Change	Q1-Q3 2015	Q1-Q3 2016	Change
Extraction (million tonnes)	13.9	13.8	-0.7%	40.7	40.8	0.2%
Sales (million tonnes)	12.6	14.2	12.7%	36.3	38.4	5.8%
Average cost of coal sold (PLN)	276.7	245.8	-11.2%	301.6	258.7	-14.2%
COAL PRICES:						
Average price of power coal (PLN)	239.2	216.4	-9.5%	240.6	218.0	-9.4%
Average price of coal sold to commercial power industry (PLN)	210.6	190.2	-9.7%	212.1	190.6	-10.1%
DEMAND/SUPPLY:						
Production of electric power in commercial power plants with the use of hard coal (GWh)**	20,862	18,635	-10.7%	60,373	59,427	-1.6%
Inventories of coal in mines (million tonnes)***	6.2	2.6	-58.1%	6.2	2.6	-58.1%

*data do not include Silesia, Siltech, Ekoplus

**PSE SA

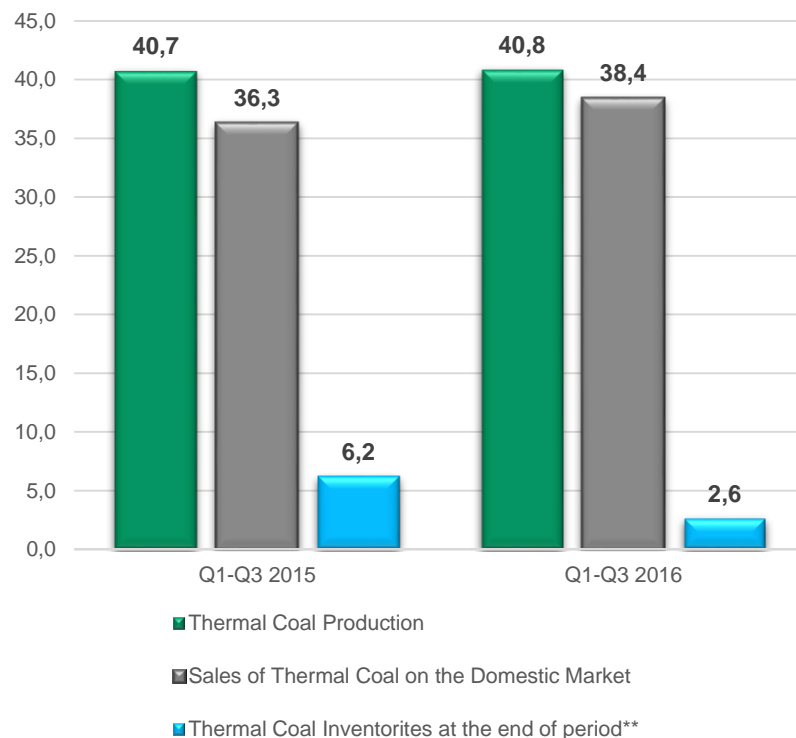
***uncertain situation of coal in mine heaps (deposits)

Source: ARP, PSE SA

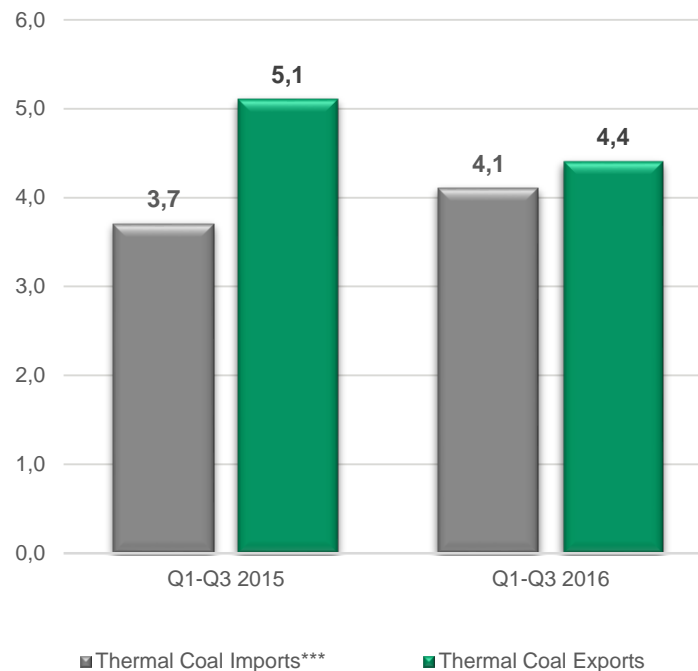


Increase in extraction and sale of coal and lower coal inventories in Polish mines

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



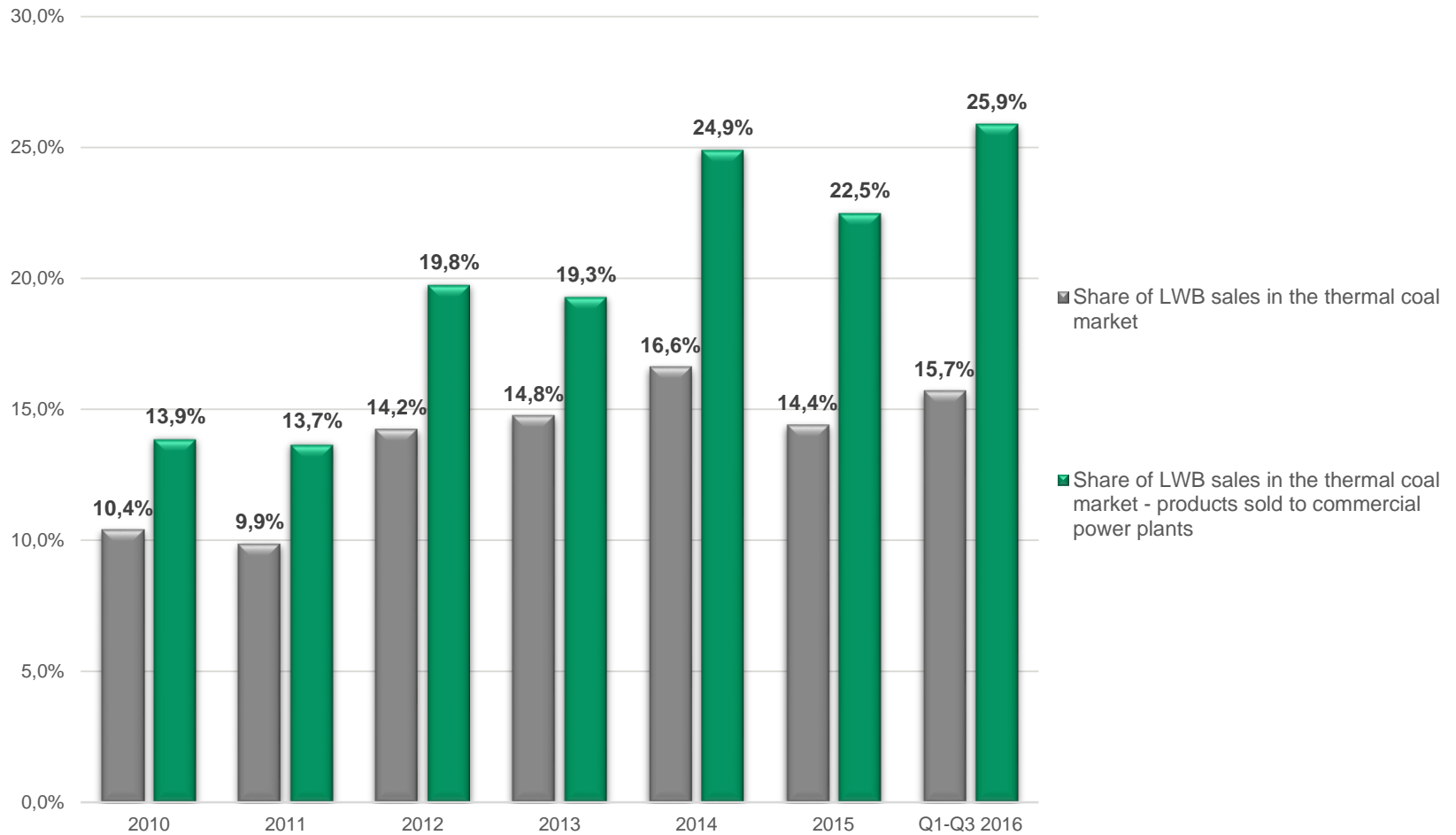
Thermal coal imports and exports (million tonnes)*



* data do not include Silesia, Siltech, Ekoplus
** uncertain situation of coal in mine heaps (deposits),
***import estimated on the basis of forecasts
Source: ARP



We keep a very strong position on the coal market – 25.9% of share in sales to commercial power plants

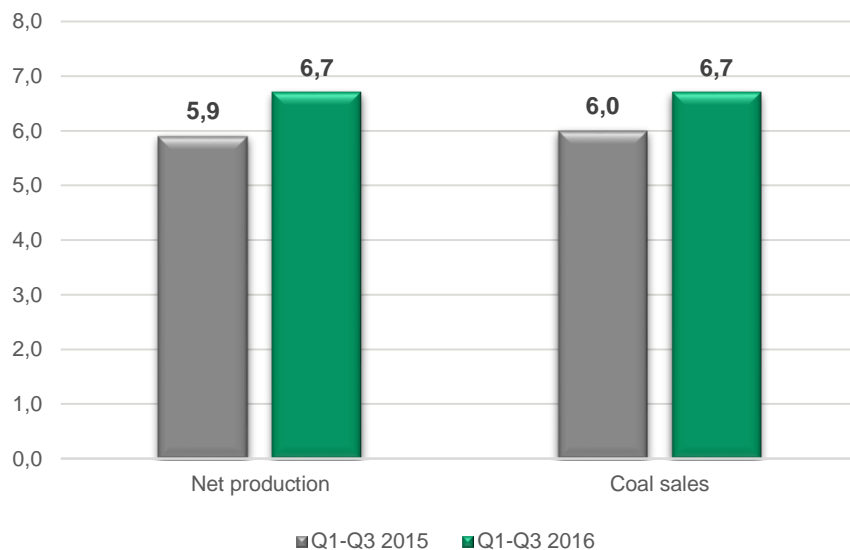


Source: ARP



Less workings, higher extraction and sales, more production days in Q3 2016 than in Q3 2015

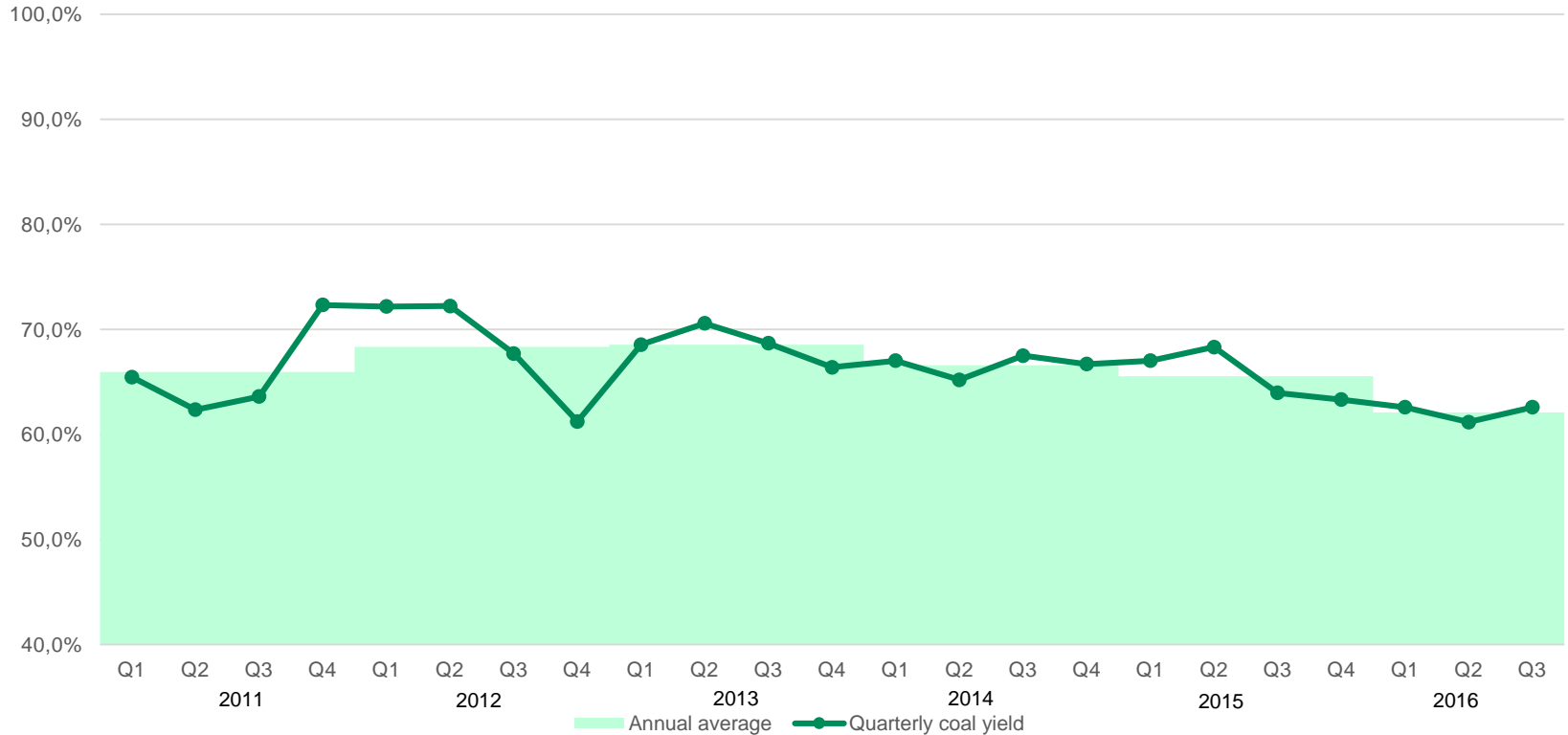
	Q3 2015	Q3 2016	Change	Q1-Q3 2015	Q1-Q3 2016	Change
Gross production ('000 tonnes)	3,188	3,831	20.2%	8,946	10,751	20.2%
Net production ('000 tonnes)	2,039	2,397	17.6%	5,930	6,682	12.7%
New workings (by length) (km)	5.4	5.1	-5.6%	15.5	17.2	11.0%
Coal sales ('000 tonnes)	2,187	2,360	7.9%	6,008	6,739	12.2%



- ✓ Production in Q1-Q3 2016 was conducted on 226 days, compared to 203 days in the same period 2015 – increase 11.3%



Coal yield at a level of 62,6%



- ✓ Coal yield in Q3 2016 was about 62.6% and was lower than in Q3 2015 (64.0%), but higher than in Q2 2016 (61,2%)
- ✓ In Q3 2016, 53.2% of raw coal was obtained from plough walls and 46.8% from shearer walls. In the same period of 2015, this ratio was 54.6% to 45.4%
- ✓ The lower yield is due to the smaller thickness of seams



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Another good quarter in terms of operating and financial results



We achieved good operating results – increase of production and sales

Item	Unit	Q3 2015	Q3 2016	Change	Q1-Q3 2015	Q1-Q3 2016	Change
Technical and operating data							
Gross production	'000 tonnes	3,188	3,831	20.2%	8,946	10,751	20.2%
Net production	'000 tonnes	2,039	2,397	17.6%	5,930	6,682	12.7%
Coal yield	%	64.0%	62.6%	-1.4 p.p.	66.3%	62.2%	-4.1 p.p.
Coal sales	'000 tonnes	2,187	2,360	7.9%	6,008	6,739	12.2%
Inventories (end of period)	'000 tonnes	228.0*	172.0	-24.6%	228.0*	172.0	-24.6%
New workings (by length)	km	5.4	5.1	-5.6%	15.5	17.2	11.0%
Financial data							
Revenue	PLN '000	483,424	465,442	-3.7%	1,326,984	1,314,387	-0.9%
EBITDA	PLN '000	166,334	154,900	-6.9%	458,121	432,279	-5.6%
EBITDA margin	%	34.4%	33.3%	-1.1 p.p	34.5%	32.9%	-1.6 p.p
EBIT	PLN'000	73,225	58,072	-20.7%	174,545	154,637	-11.4%
EBIT margin	%	15.1%	12.5%	-2.6 p.p	13.2%	11.8%	-1.4 p.p
Net profit	PLN'000	56,639	45,205	-20.2%	132,137	120,159	-9.1%
Net debt/EBITDA*	-	0.7	0.3	-57.1%	0.7	0.3	-57.1%

*The presented level of inventories as at 30 September 2015, took into account a coal deposit (23,000 tonnes) for one of the customers. This deposit was accounted for in total by the Parent (supplied to customers) by the end Q4 2015

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

Source: In-house data

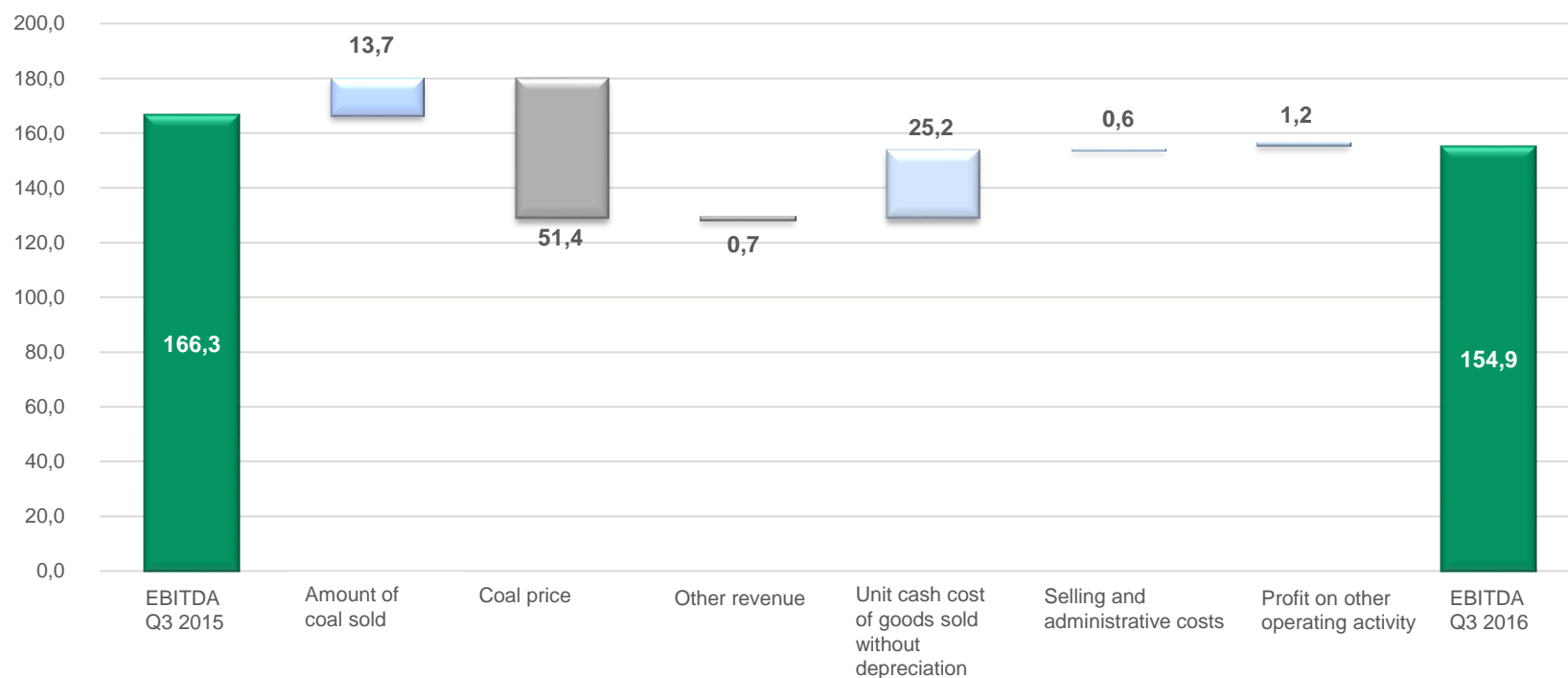


Low coal price affects financial results - drop in EBITDA for Q3 2016 vs. Q3 2015

[PLN million]	Q3 2015	Q3 2016	Change
EBITDA Bogdanka Group	166.3	154.9	-6.9%

Q3 2016

- ✓ drop in EBITDA by PLN 11.4 million (-6.9%)
- ✓ increase in the volume of coal sold by 7.9%
- ✓ decrease in the price of coal sold by 10.7%
- ✓ decrease in other income (lower sales by subsidiaries)
- ✓ decrease in unit cost of products, goods and materials sold net of depreciation/ amortisation (decrease in nominal cost by 1.7% with the increasing amount of coal sold by 7.9%)



Source: In-house data

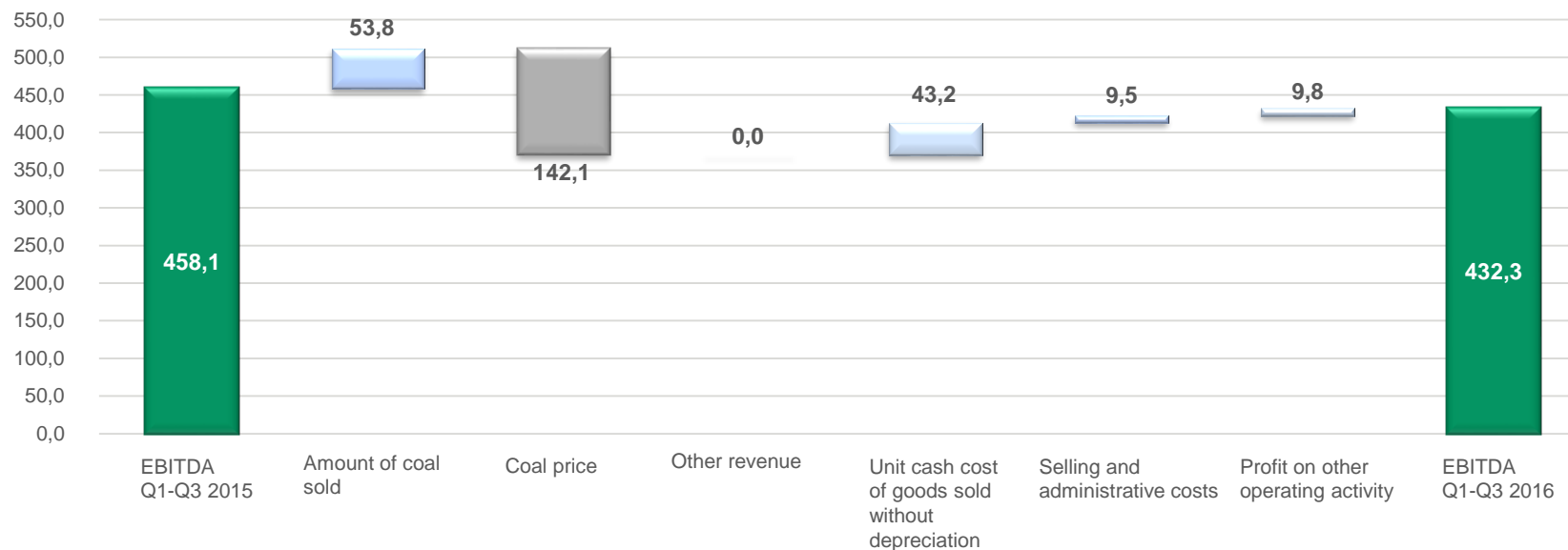


Low coal price affects financial results - drop in EBITDA for Q1-Q3 2016 vs. Q1-Q3 2015

[PLN million]	Q1-Q3 2015	Q1-Q3 2016	Change
EBITDA Bogdanka Group	458,1	432,3	-5,6%

Q1-Q3 2016

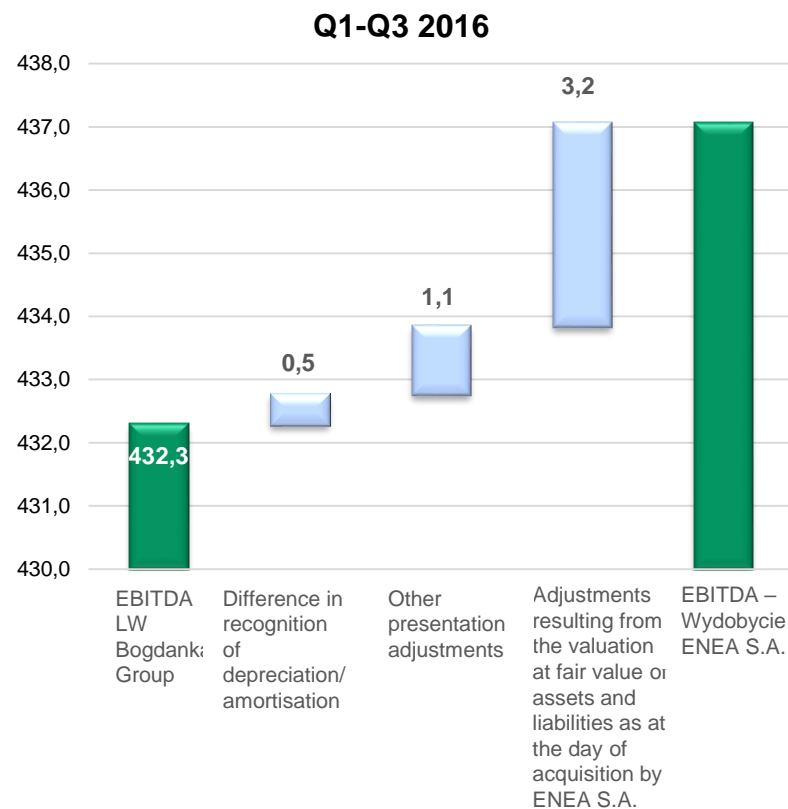
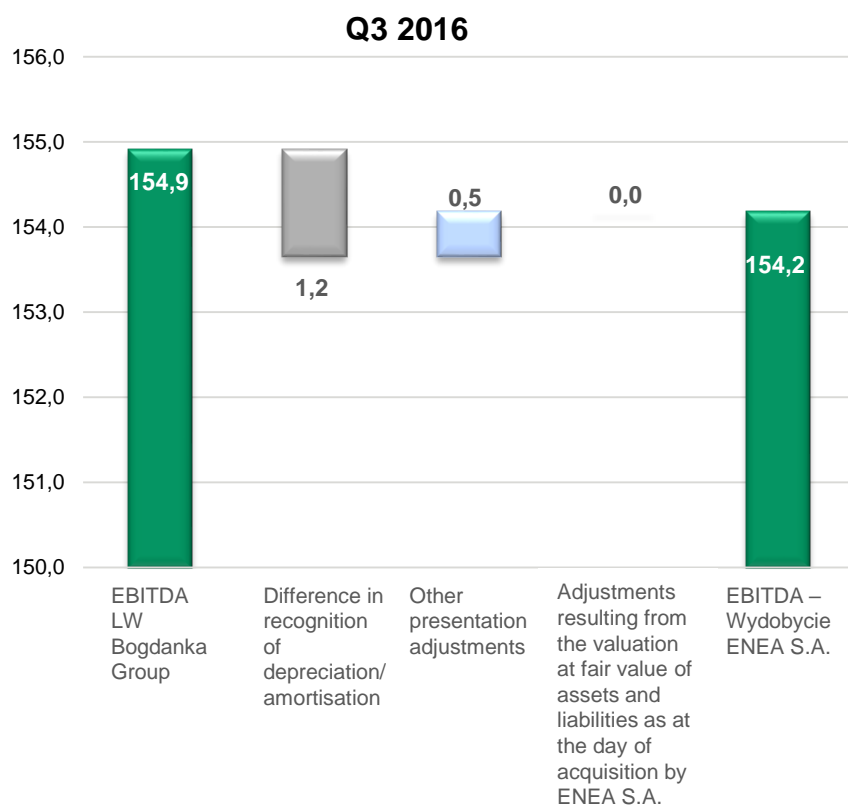
- ✓ drop in EBITDA by PLN 25.8 million (-5.6%)
- ✓ increase in the volume of coal sold by 12.2%
- ✓ decrease in the price of coal sold by 10.8%
- ✓ decrease in unit cost of products, goods and materials sold net of depreciation (increase in nominal cost with the increasing amount of coal sold)
- ✓ other income in Q1-Q3 2016 at the same level as in the analogous period 2015
- ✓ lower selling and administrative costs (derecognition of management options costs for 2016 and previous years, lower depreciation of non-current assets)
- ✓ positive result on other operating activity (release of provision for claims)



Source: In-house data



EBITDA presentation differences between the LW Bogdanka Group and Enea Wydobyćie



Source: In-house data



Increase in costs by type (by 1.7%) and production (by 17.6%) in Q3 2016 vs. Q3 2015

Item [PLN '000]	Q3 2015	Q3 2016	Change	Q1-Q3 2015	Q1-Q3 2016	Change
Net production ['000 tonnes]	2,039	2,397	17.6%	5,930	6,682	12.7%
Coal sales ['000 tonnes]	2,187	2,360	7.9%	6,008	6,739	12.2%
Depreciation and amortization	91,805	87,420	-4.8%	279,707	263,638	-5.7%
Materials and energy	96,899	100,951	4.2%	290,191	311,972	7.5%
External services	94,580	97,708	3.3%	263,720	287,606	9.1%
Employee cost and benefits	119,929	121,887	1.6%	356,882	363,413	1.8%
Entertainment and advertising	1,495	2,488	66.4%	5,614	6,078	8.3%
Taxes and charges	9,506	10,661	12.2%	26,655	28,628	7.4%
Other expenses	4,189	4,497	7.4%	20,176	13,901	-31.1%
Cost by nature	418,403	425,612	1.7%	1,242,945	1,275,236	2.6%
Activities for the Company's own needs	-43,231	-44,613	3.2%	-138,131	-140,641	1.8%
Accruals and deferrals	18,420	29,187	58.5%	41,009	59,990	46.3%
Value of coal produced from excavations	-15,731	-11,945	-24.1%	-48,628	-49,074	0.9%
Provisions and other presentation adjustments (IAS)	1,257	4,090	225.4%	28,136	6,249	-77.8%
Total production costs	379,118	402,331	6.1%	1,125,331	1,151,760	2.3%
Change in product inventories	24,926	-5,369	-121.5%	17,432	7,554	-56.7%
Value of goods and materials sold	3,338	2,805	-16.0%	8,807	8,846	0.4%
Own cost of production sold, including	407,382	399,767	-1.9%	1,151,570	1,168,160	1.4%
Costs of products, goods and materials sold	372,371	363,466	-2.4%	1,052,136	1,076,028	2.3%
Selling costs	9,245	10,951	18.5%	28,045	29,310	4.5%
Administrative costs	25,766	25,350	-1.6%	71,389	62,822	-12.0%

Source: In-house data



Slight increase in costs by type with the increase in production (by 12.7%) in Q1-Q3 2016 vs. Q1-Q3 2015

Total costs by type for Q1-Q3 2016 - PLN 1,275 million - increase in relation to Q1-Q3 2015 by 2.6%, i.e. by PLN 32 million

Cash costs (net of depreciation/ amortisation) - increase by 5.0%, i.e. by PLN 48 million

Net extraction - increase by 12.7%, i.e. by approx. PLN 0.8 million tonnes

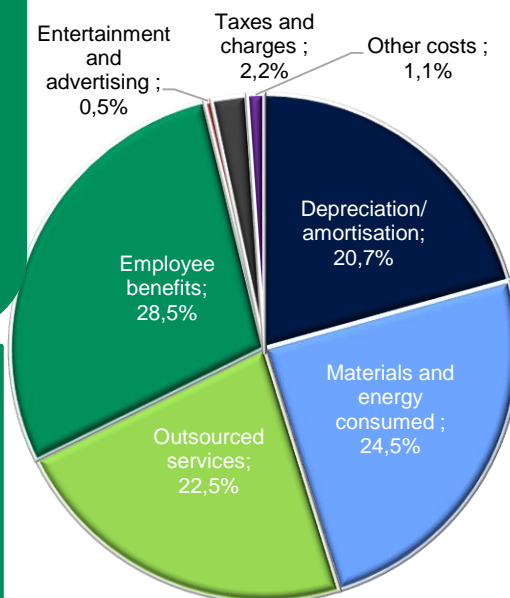
Length of walls - increase by 11.0% (17.2 km in Q1-Q3 2016 vs. 15.5 km in Q1-Q3 2015)

Increase in benefits for employees by 1.8%:

- employment downsizing by 115 people (change between 30 Sep. 2016 and 30 Sep. 2015)
- the base of an average monthly remuneration was retained at the 2015 level (however, two additional bonuses were paid to the employees - the higher of the two amounts was covered from a released special purpose provision created in Q4 2015)

Increase in outsourced services by 9.1%:

- the value of services for works on Saturdays and Sundays increased (in 2016 extraction was performed on more Saturdays)
- the value of ancillary works as well as mining and drilling services increased
- reduction of railway transport costs (by approx. 60%) – (lower coal sales where ensuring transport to the customer was LW Bogdanka S.A. responsibility) - costs are reinvoiced to the customer (neutral to EBIT)



Decrease in depreciation/ amortisation by 5.7%:

- depreciation/ amortisation of non-current assets decreased (as a result of impairment charges made in Q4 2015 of non-current assets and intangible assets)
- activity depreciation increased (higher extraction → higher progress in walls → higher activity depreciation)

Increase in value of materials and energy used by 7.5%:

- increase in the value of materials used by more than 2% (higher use of materials related to the construction of new underground infrastructure and lower use of electric materials underground)
- increase in costs of energy use by 25% (higher value of energy used related to a higher extraction with a higher unit price of its purchase)



Provisions at the LW Bogdanka Group

Item [PLN '000]	30.09.2015	31.12.2015	30.09.2016	Change 30.09.2016/30.09.2015	Change 30.09.2016/31.12.2015
Employee provisions	241,245	251,537	258,667	7.2%	2.8%
Liabilities under local property tax	24,388	23,881	30,264	24.1%	26.7%
Mine decommissioning and reclamation provision	115,744	130,179	124,221	7.3%	-4.6%
Mining damage	7,527	8,497	7,803	3.7%	-8.2%
Accident insurance premium (ZUS)	18,396	18,727	19,712	7.2%	5.3%
Other	27,885	29,907	12,377	-55.6%	-58.6%
TOTAL	435,185	462,728	453,044	4.1%	-2.1%

Source: In-house data



Change in provisions at the LW Bogdanka Group

Item [PLN '000]	Change Q3 2015	Change Q3 2016	Change	Change Q1-Q3 2015	Change Q1-Q3 2016	Change
Employee provisions	-4,015	-2,100	-47.7%	14,521	7,130	-50.9%
Liabilities under local property tax	-1,002	2,164	-	1,130	6,383	464.9%
Mine decommissioning and reclamation provision	2,960	836	-71.8%	-7,841	-5,958	-24.0%
Mining damage	-380	-342	-10.0%	-1,628	-694	-57.4%
Accident insurance premium (ZUS)	330	329	-0.3%	2,495	985	-60.5%
Other	2,250	147	-93.5%	2,590	-17,530	-
TOTAL	143	1,034	623.1%	11,267	-9,684	-

Source: In-house data



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Performance of the plan in Q3, Q1-Q3 2016



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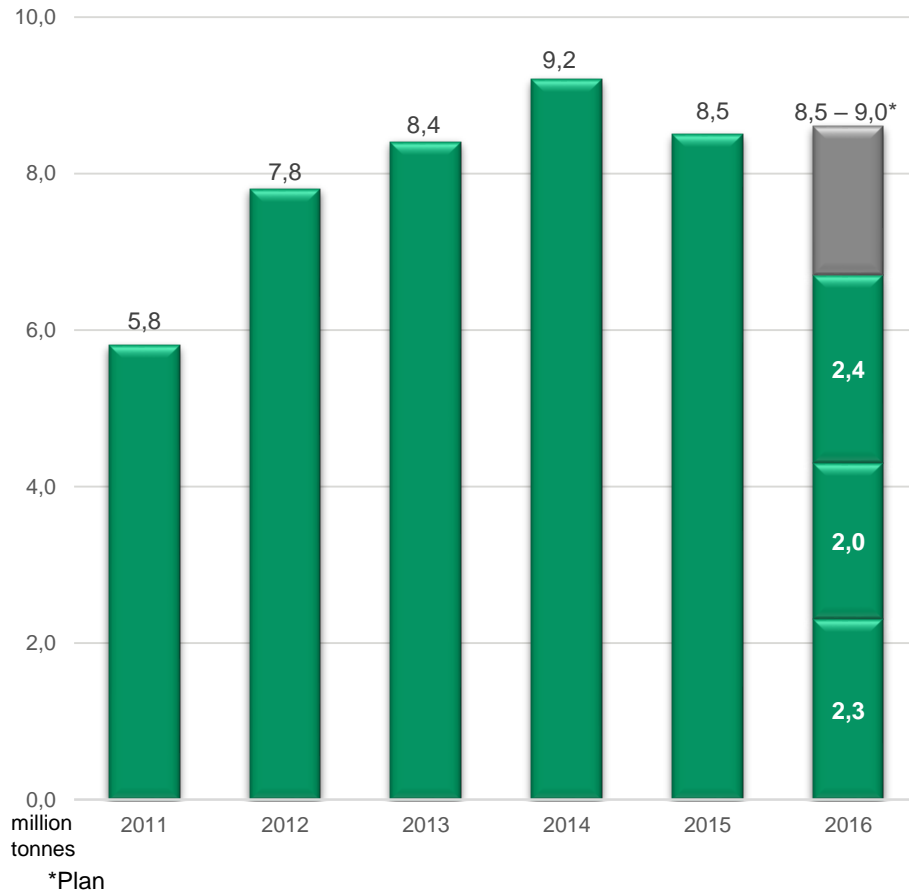


**Sales in Q3 2016 performed along with the plan –
2.4 million tonnes**



Q3 2016 saw the production and sales of 2.4 million tonnes

PRODUCTION



- the sales assumptions for 2016 provide for production at a level of approx. 8.5 - 9 million tonnes of coal, with production capacities maintained at a level of 10.0 – 10.5 million tonnes



The use of CAPEX in Q1-Q3 2016

Item [PLN '000]	Plan for 2016	Realization of plan Q1-Q3 2016 [PLN]	Realization of plan Q1-Q3 2016 [%]
Obtaining new concessions*	45,384	31,547	69.5%
Modernization and repair of machinery and equipment	62,655	15,754	25.1%
Other operating investments	68,700	27,760	40.4%
Purchase and assembly of longwall systems	-	-6,465	-
New workings and modernization of existing workings	254,978	139,415	54.7%
TOTAL CAPEX FOR LW BOGDANKA	431,717	208,011	48.2%
Łęczyńska Energetyka	6,200	4,538	73.2%
Other subsidiaries	-	73	-
TOTAL CAPEX FOR GK LW BOGDANKA**	437,917	212,622	48.6%

*plan for 2016 includes the full value of a fee for the use of geological information, which is payable in ten annual instalments. Total value of the geological information is PLN 28 million

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

Source: In-house data

Summary



In the third quarter, a clear upward trend was observed with respect to coal prices in global terms; in the domestic market, the coal prices remain at a low level - in September a slight increase in thermal coal prices was recorded.

In Q3 2016, the Company performed the production and sales plan at a level of PLN 2.4 million tonnes.

Low coal prices strongly affected the achieved financial result. Despite the above, the Company distinguishes itself in the industry thanks to a permanent cost control and optimisation of capital expenditure.

The Company maintains a strong market position by achieving the share in thermal coal sales market in Q3 2016 (as in 2014) of 15.7%, and in the thermal coal sold to commercial power plants of 25.9%.

Extraordinary General Shareholders Meeting of 17 August 2016 adopted new Articles of Association, in October the changes were registered by the Court.

Thank you



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Changes in provisions at LW Bogdanka Capital Group and their impact on financial result

Item [PLN '000]	Change in provisions in Q3 2016	Impact on financial result in Q3 2016	Change in provisions in Q3 2015	Impact on financial result in Q3 2015
Employee provisions	-2,100	-6,252	-4,015	-5,391
Liabilities under local property tax	2,164	-2,164	-1,002	-1,788
Mine decommissioning and reclamation provision	836	-1,417	2,960	-1,743
Mining damage	-342	-	-380	-
Accident insurance premium (ZUS)	329	-329	330	-330
Other	147	-147	2,250	-2,250
TOTAL	1,034	-10,309	143	-11,502

Source: In-house data



Changes in provisions at LW Bogdanka Capital Group and their impact on financial result

Item [PLN '000]	Change in provisions in Q3 2016	Including:				
		Change reflected in operating activity (EBITDA)	Change reflected below operating result – interest	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	-2,100	4,561	1,691	-	-	-8,352
Liabilities under local property tax	2,164	2,164	-	-	-	-
Mine decommissioning and reclamation provision	836	546	871	-581	-	-
Mining damage	-342	-	-	-	-	-342
Accident insurance premium (ZUS)	329	-	329	-	-	-
Other	147	61	86	-	-	-
TOTAL	1,034	7,332	2,977	- 581	-	-8,694

Source: In-house data



Changes in provisions at LW Bogdanka Capital Group and their impact on financial result

Item [PLN '000]	Change in provisions in Q1-Q3 2016	Including:				
		Change reflected in operating activity (EBITDA)	Change reflected below operating result – interest	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	7,130	32,162	4,602	-	9,637	-39,271
Liabilities under local property tax	6,383	6,383	-	-	-	-
Mine decommissioning and reclamation provision	- 5,958	1,610	2,613	-10,181	-	-
Mining damage	-694	-	-	-	-	-694
Accident insurance premium (ZUS)	985	-	985	-	-	-
Other	-17,530	-8,526	-6,006	-	-	-2,998
TOTAL	-9,684	31,629	2,194	-10,181	9,637	-42,963

Source: In-house data

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The Consolidated Income Statement of LW Bogdanka Group

Item [PLN '000]	Q3 2015	Q3 2016	Change	Q1-Q3 2015	Q1-Q3 2016	Change
Revenue	483,424	465,442	-3.7%	1,326,984	1,314,387	-0.9%
Cost of products, merchandise and materials sold, distribution cost, administrative expenses	408,493	399,500	-2.2%	1,152,306	1,162,107	0.9%
Gross profit	74,931	65,942	-12.0%	174,678	152,280	-12.8%
Gross margin	15.5%	14.2%	-1.3 p.p.	13.2%	11.6%	-1.6 p.p.
Other income	414	274	-33.8%	2,430	13,012	435.5%
Other expenses	216	398	84.3%	599	1,806	201.5%
Net operating profit/loss	75,129	65,818	-12.4%	176,509	163,486	-7.4%
Other net gains/loss	-1,904	-7,746	306.8%	-1,964	-8,849	350.6%
Operating profit (EBIT)	73,225	58,072	-20.7%	174,545	154,637	-11.4%
EBIT margin	15.1%	12.5%	-2.6 p.p.	13.2%	11.8%	-1.4 p.p.
EBITDA	166,334	154,900	-6.9%	458,121	432,279	-5.6%
EBITDA margin	34.4%	33.3%	-1.1 p.p.	34.5%	32.9%	-1.6 p.p.
Finance income	1,373	1,873	36.4%	4,635	12,143	162.0%
Finance costs	3,623	6,178	70.5%	14,993	20,888	39.3%
Profit before tax	70,975	53,767	-24.2%	164,187	145,892	-11.1%
Pre-tax profit margin	14.7%	11.6%	-3.1 p.p.	12.4%	11.1%	-1.3 p.p.
Income tax	14,336	8,562	-40.3%	32,050	25,733	-19.7%
Net profit for the reporting period	56,639	45,205	-20.2%	132,137	120,159	-9.1%
Net margin	11.7%	9.7%	-2.0 p.p.	10.0%	9.1%	-0.9 p.p.
- attributable to owners of the Dominant Entity	56,696	45,330	-20.0%	132,040	119,775	-9.3%

Source: In-house data



Statement of Financial Position of LW Bogdanka Capital Group

Item [PLN '000]	31.12.2015	30.09.2016
Non-current assets, including:	3,003,073	2,927,155
Cash and cash equivalents	90,872	101,360
Current assets, including:	640,951	767,055
Cash and cash equivalents	262,037	447,743
Total assets	3,644,024	3,694,210
Current liabilities	404,118	402,072
Non-current liabilities	1,117,284	1,063,076
Total liabilities	1,521,402	1,465,148
Equity	2,122,622	2,229,062
Current borrowings	3,036	3,281

Source: In-house data



Cash flows of LW Bogdanka Capital Group

Item [PLN '000]	Q1-Q3 2015	Q1-Q3 2016
Net cash flows on operating activities	504,566	512,535
Cash inflow from operating activities	521,773	523,155
Interest received	3,084	5,164
Income tax paid	(20,291)	(15,784)
Net cash flows on investing activities	(364,382)	(219,291)
Acquisition of property, plant and equipment	(358,464)	(206,028)
Interest paid regarding investing activity	(8,049)	(2,622)
Acquisition of intangible assets	(739)	(4,637)
Inflow from the sale of property, plant and equipment	1,469	54
Interest received	2,516	4,430
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	(1,115)	(10,488)
Net cash flows on financing activities	(99,889)	(107,538)
Proceeds from loans and borrowings	5,979	4,984
Repayments of loans and borrowings	-	(100,000)
Repayments of loans and borrowings	(99,008)	(2,277)
Interest and commissions paid due to financing activities	(6,860)	(10,245)
Net increase (decrease) in cash and cash equivalents	40,295	185,706
Cash and cash equivalents at beginning of period	195,481	262,037
Cash and cash equivalents at end of period	235,776	447,743

Source: In-house data



Sales structure at LW Bogdanka Capital Group

Item [PLN '000]	Q3 2015	Share [%]	Q3 2016	Share [%]
Coal sales	466,584	96.5%	453,005	97.3%
Other activities	13,208	2.7%	9,609	2.1%
Sales of merchandise and materials	3,351	0.7%	2,822	0.6%
Ceramics sales	281	0.1%	6	0.0%
Total revenue	483,424	100.0%	465,442	100.0%

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Thank you for your attention

We are part of a modern capital group involved in raw materials and energy operations