



**Presentation of results
the LW Bogdanka Group
Q1 2017**



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



The Management Board of LW Bogdanka SA



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Management Board



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Investments



Situation on the coal market and key operating data

Financial highlights of the LW Bogdanka Group
in Q1 2017

Performance of the plan in Q1 2017

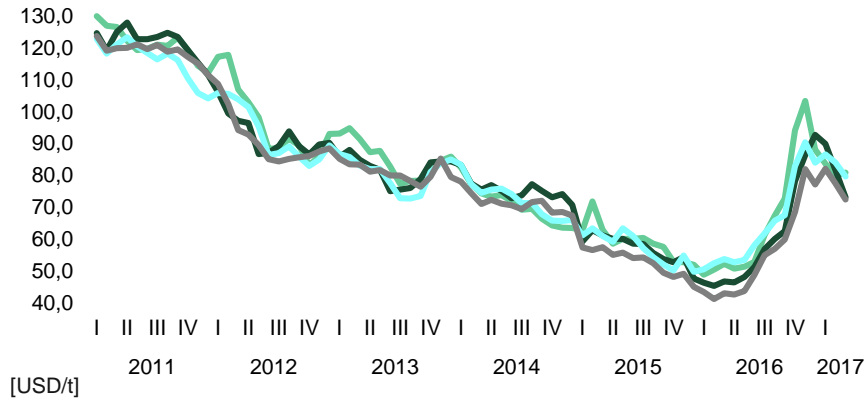
Appendices – Financial information



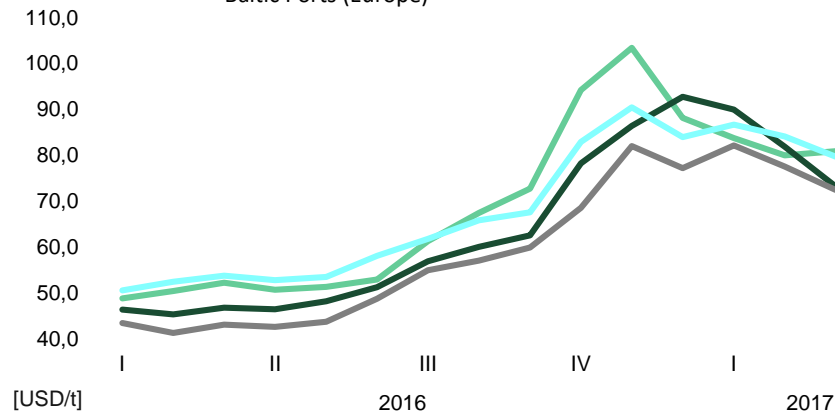
In the first quarter slight decline in global coal prices with a rise in prices of thermal coal on the domestic market



Slight decreases in coal prices on the global market in Q1 2017



- Newcastle (Australia)
- Amsterdam - Rotterdam - Antwerpia (Western Europe)
- Richards Bay (RPA)
- Baltic Ports (Europe)



CIF ARA coal prices

- ✓ USD 81/tonne - the average annual coal price (CIF ARA) in Q1 2017, i.e. +79% compared to Q1 2016 (USD 45/tonne) and +35% to annual average in 2016
- ✓ in comparison with Q4 2016 (86 USD/t) it represents a fall by 5.8%
- ✓ Between Q1 2011 and Q1 2017 the coal price CIF ARA dropped by almost 36%, but from the moment of rebound (January 2016 - March 2017) the price went up from USD 46/tonne to USD 73/tonne (+59%)

Inventories in ARA ports

- ✓ 5.9 million tonnes of coal inventories at the end of April 2017 in the ARA ports – increase by 1.4 million tonnes compared to December 2016 (+31%)

Prices in the world's main ports

- ✓ The average coal price FOB Baltic Ports in Q1 2017 amounted to USD 77/tonne, i.e. it was at the same level as in Q4 2016, and an increase by +39% compared to 2016 average
- ✓ Between 2011 and Q1 2017 the price FOB BP dropped by almost 36%, but from the moment of rebound (January 2016 - March 2017) the price went up from USD 43/tonne to USD 72/tonne (+67%)
- ✓ Coal prices at the end of Q1 2017 in other main coal ports in the world:
 - FOB Richards Bay – USD 77/tonne, i.e. down by 9% since the beginning of the year
 - FOB Newcastle – USD 82/tonne, i.e. down by 13% since the beginning of the year
 - FOB Puerto Bolivar – USD 66/tonne, i.e. down by 30% since the beginning of the year

China

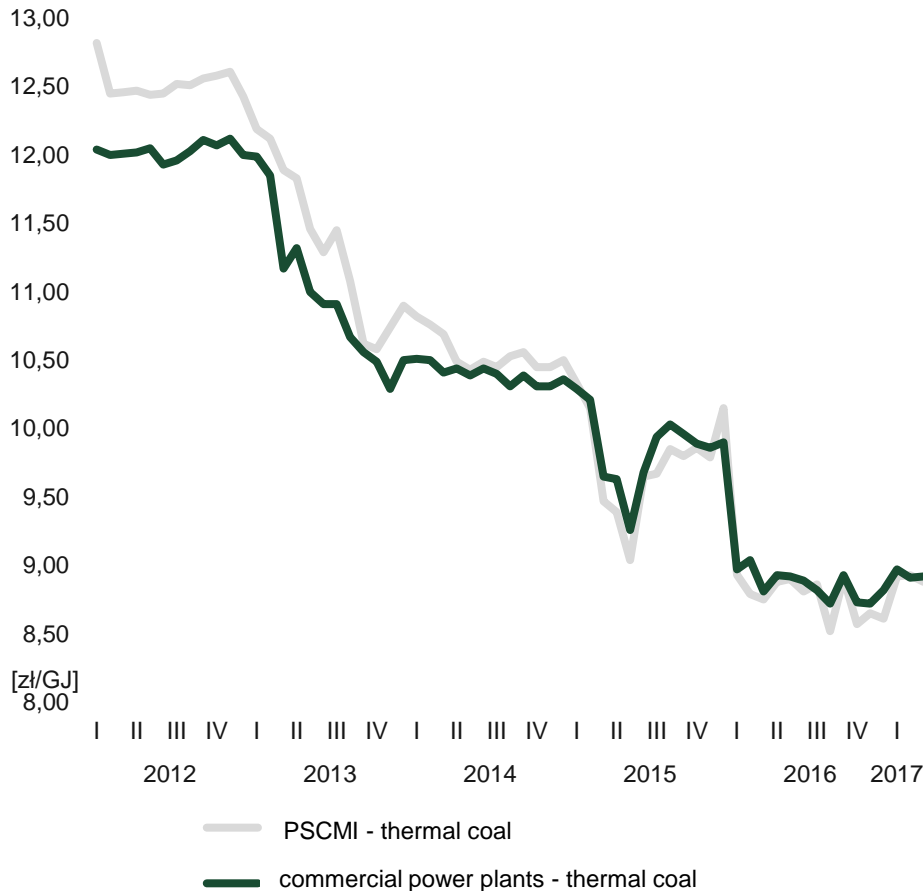
- ✓ approx. 809 million tonnes of coal were produced in Q1 2017, +0.2% compared to Q1 2016
- ✓ import was 65 million tonnes in Q1 2017, up by about 34% y/y

Columbia

- ✓ approx. 22 million tonnes of coal were exported in Q1 2017, i.e. + up by 9% y/y



Increase in domestic coal prices in Q1 2017 by approx. 2% vs. Q4 2016



Thermal coal prices

- ✓ In Q1 2017, the average price of thermal coal for commercial power plants was PLN 8.93 per GJ - up by 2.0% compared to Q4 2016
- ✓ the price trend shows a 0.2% decline Q1 2017 compared to Q1 2016
- ✓ average heating value of fine coal for commercial power plants was about 21.3 GJ
- ✓ price of fine coal for commercial power plants declined by about 25.8% between January 2012 and March 2017

Thermal coal prices based on the PSCMI index

- ✓ in Q1 2017, the average price based on the PSCMI index was about PLN 8.91 per GJ, which in comparison with Q4 2016 represents an increase by about 3.5%
- ✓ compared to Q1 2016 the PSCMI index price increased by 1.0%



Decrease in inventories and extraction, sales at the same level, slight increase in thermal coal prices in Poland in Q1 2017 compared to Q1 2016

PERFORMANCE OF POLISH COMPANIES*:

Thermal coal:	Q1 2016	Q1 2017	Change
Extraction (million tonnes)	14.1	12.8	-9.2%
Sales (million tonnes)	12.4	12.4	-
Average cost of coal sold (PLN)	262.8	257.2	-2.1%
COAL PRICES:			
Average price of power coal (PLN)	220.8	229.0	3.7%
Average price of coal sold to commercial power industry (PLN)	192.2	190.0	-1.1%
DEMAND/SUPPLY:			
Production of electric power in commercial power plants with the use of hard coal (GWh)**	21,725	21,626	-0.5%
Inventories of coal in mines (million tonnes)***	5.0	1.0	-80.0%

*data do not include Silesia, Siltech, Ekoplus

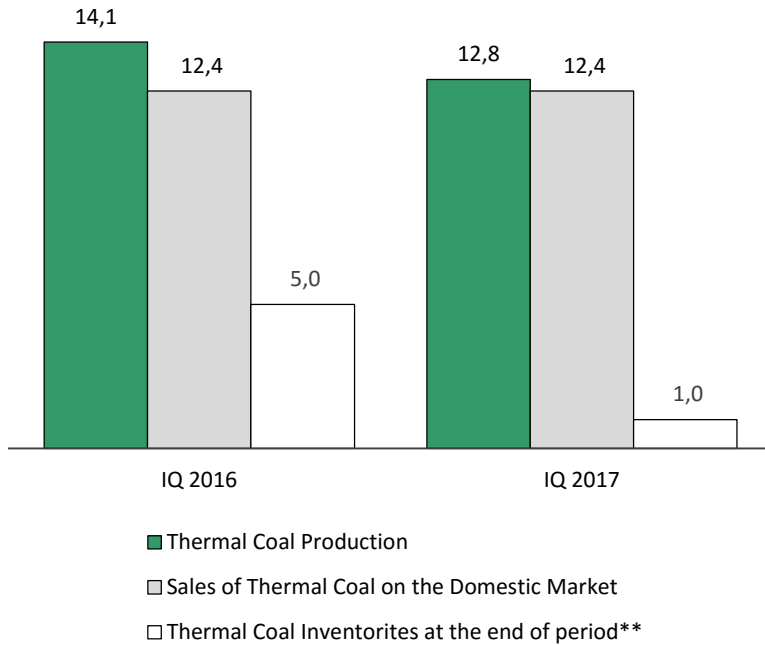
**PSE SA

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

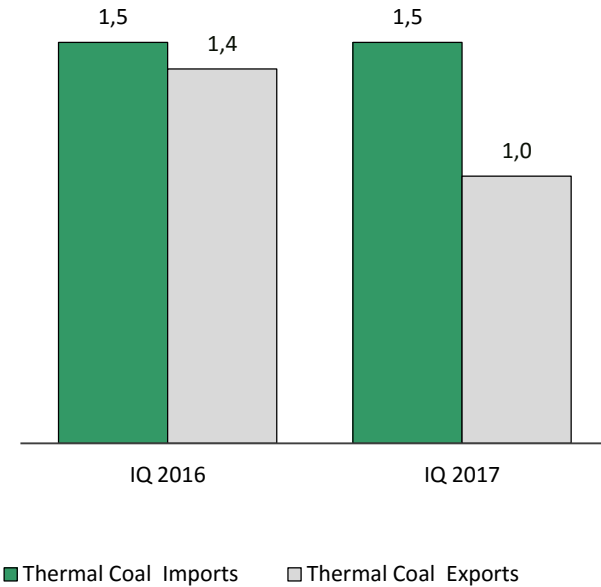


Drop in extraction and stocks of thermal coal in Polish mines, sales at the same level

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



Thermal coal imports and exports (million tonnes)*

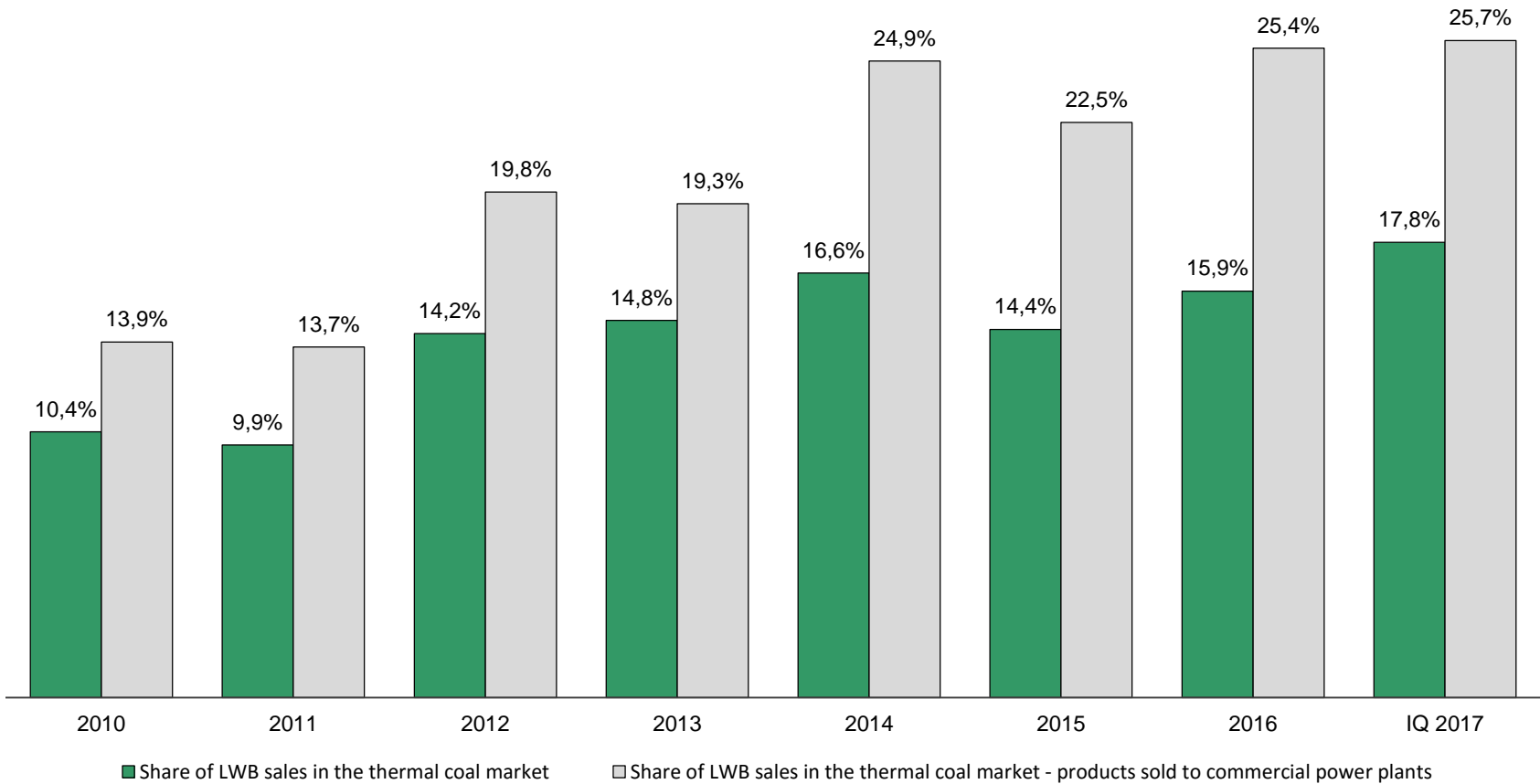


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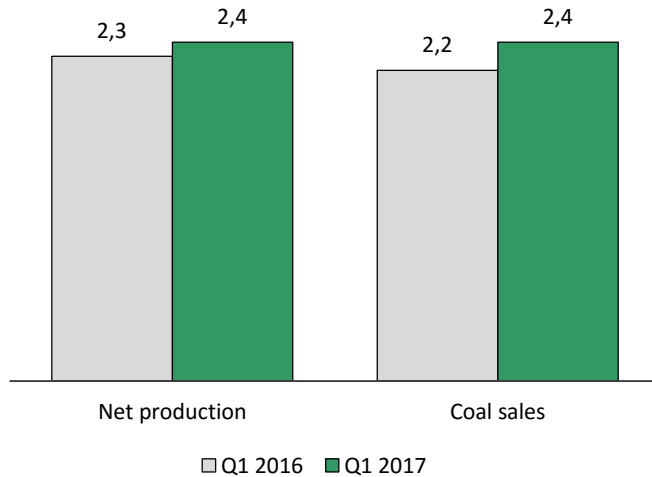
We keep a very strong position on the coal market – 25.7% of share in sales to commercial power plants





Higher production and sales in LW Bogdanka S.A., more production days in Q1 2017 than in Q1 2016

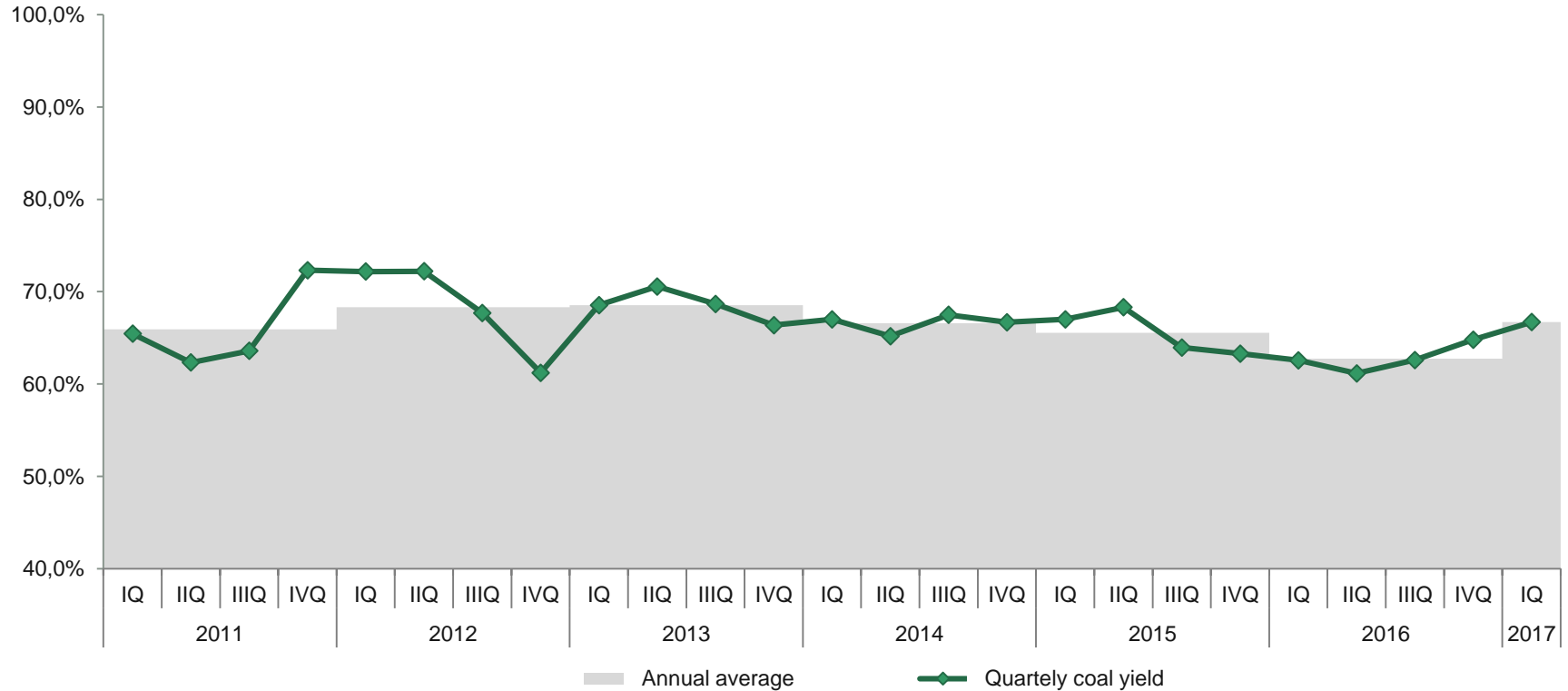
	Q1 2016	Q1 2017	Change
Gross production ('000 tonnes)	3,733	3,630	-2.8%
Net production ('000 tonnes)	2,335	2,422	3.7%
New workings (by length) (km)	6.4	7.9	23.4%
Coal sales ('000 tonnes)	2,184	2,389	9.4%



- ✓ Production in Q1 2017 was conducted on 76 days, compared to 74 days in the same period 2016 – increase 2.7%
- ✓ more new excavations in pursuance of the flexible development scenario (Strategy)



Coal yield at a level of 66.7% in Q1 2017



- ✓ Coal yield in Q1 2017 was about 66.7% and was higher than in Q1 2016 (62.6%), and higher than in Q4 2016 (64.8%)
- ✓ in Q1 2017 65.4% of raw coal was obtained from plough walls and , and 34.6% shearer walls. In the same period of 2016 this ratio was 70.9% to 29.1%



Situation on the coal market and key operating data



**Financial highlights of the LW Bogdanka Group
in Q1 2017**



Performance of the plan in Q1 2017



Appendices – Financial information



Good operating and financial results, cost efficiency



We achieved good operating results – increase of production and sales

Item	Unit	Q1 2016	Q1 2017	Change
Technical and operating data				
Gross production	'000 tonnes	3,733	3,630	-2.8%
Net production	'000 tonnes	2,335	2,422	3.7%
Coal yield	%	62.6%	66.7%	4.1 p.p.
Coal sales	'000 tonnes	2,184	2,389	9.4%
Inventories (end of period)	'000 tonnes	380	158	-58.4%
New workings (by length)	km	6.4	7.9	23.4%
Financial data				
Revenue	PLN '000	420,569	465,166	10.6%
EBITDA	PLN '000	173,345	179,820	3.7%
EBITDA margin	%	41.2%	38.7%	-2.5 p.p
EBIT	PLN'000	78,885	89,743	13.8%
EBIT margin	%	18.8%	19.3%	0.5 p.p
Net profit	PLN'000	54,446	68,179	25.2%
Net debt/EBITDA*	-	0.5	0.002	-99.6%

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



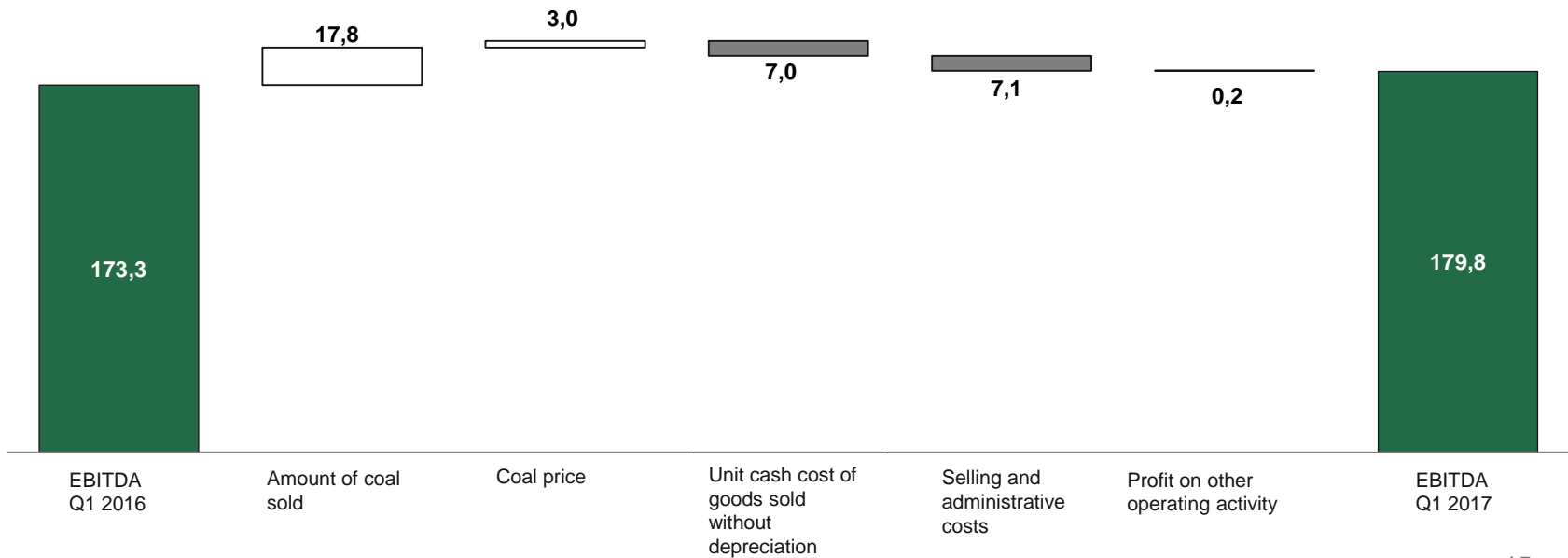
Higher quantitative sales of coal influenced financial results - higher EBITDA in Q1 2017 than in Q1 2016

[PLN million]	Q1 2016	Q1 2017	Change
EBITDA The LW Bogdanka Group	173.3	179.8	3.7%

Q1 2017

- ✓ increase in EBITDA by PLN 6.5 million (+3.7%)
- ✓ increase in the volume of coal sold by 9.4%
- ✓ increase in the price of coal sold by 0.7%
- ✓ increase in unit cost of products, goods and materials sold net of depreciation/amortisation by 3%, with the balance of provisions and actuarial adjustments Q1 2017 to Q1 2016 + PLN 30 million; having eliminated the impact of change in provisions and actuarial adjustments the Company recorded a drop in unit cost of goods and materials net of depreciation/amortisation by 9%
- ✓ increase in selling and administrative costs – costs of logistics related to coal sold to Ukraine, the balance of provisions and actuarial adjustments Q1 2017 to Q1 2016

Factors affecting EBITDA (PLN million)





Increase in production by 3.7% in Q1 2017 and decrease of costs by type by 1.2%

Item [PLN '000]	Q1 2016	Q1 2017	Change
Net production ['000 tonnes]	2,335	2,422	3.7%
Coal sales ['000 tonnes]	2,184	2,389	9.4%
Depreciation and amortization	91,910	87,959	-4.3%
Materials and energy	105,835	112,660	6.4%
External services	94,153	101,136	7.4%
Employee cost and benefits	127,903	115,973	-9.3%
Entertainment and advertising	2,730	2,240	-17.9%
Taxes and charges	10,643	11,341	6.6%
Other expenses	4,013	829	-793%
Cost by nature	437,187	432,138	-1.2%
Cost of activities for the Company's own needs	-46,868	-58,223	24.2%
Accruals and deferrals	18,104	13,987	-22.7%
Value of coal obtained from excavations	-20,962	-20,406	-2.7%
Provisions and other presentation adjustments between costs by type and by function	-21,928	11,696	-
Total production costs	365,533	379,192	3.7%
Change in product inventories	-24,906	-2,702	-89.2%
Value of goods and materials sold	3,086	2,364	-23.4%
Own cost of production sold, including:	343,713	378,854	10.2%
Costs of products, goods and materials sold	313,539	341,381	8.9%
Selling costs	9,851	13,558	37.6%
Administrative costs	20,323	23,915	17.7%



Cost reduction bring further results - production higher by 3.7% in Q1 2017 vs. Q1 2016 and decrease in costs by type by 1.2%

Total costs by type for Q1 2017 - PLN 432 million – drop in relation to Q1 2016 by 1.2%, i.e. by PLN 5 million
Cash costs (net of depreciation/amortisation) – decrease by 0.6%, i.e. by PLN 2 million
Net extraction – increase by 3.7%, i.e. by approx. PLN 0.09 million tonnes
Length of walls – increase by 23.4% (7.9 km in Q1 2017 vs. 6.4 km Q1 2016)

Taxes and charges +6.6% y/y:
 ✓ the value of fee for deposit extraction increased (higher extraction) and so did the value of payments for the National Fund for the Disabled

Entertainment and advertising costs -17.9% y/y:
 ✓ change in the payments schedule

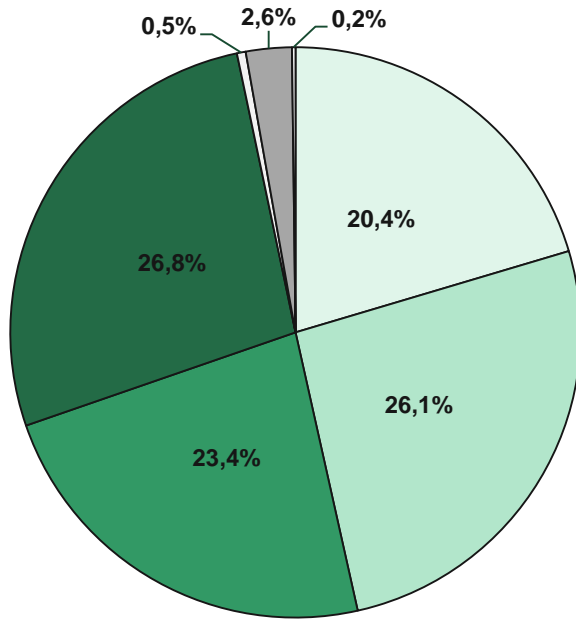
Other costs -79.3% y/y:
 ✓ change in settlement period of the insurance policy

Employee benefits -9.3% y/y:
 ✓ as at 31 March 2017, the workforce amounted to 4,470.6 persons (counted as full-time jobs) and was lower by 69 compared to 31 March 2016.
 ✓ Additionally in 2016 an award was paid to the employees (a special purpose provision for this award was made in December 2015).

Depreciation -4.3% y/y:
 ✓ depreciation of non-current assets activity depreciation dropped
 ✓ a drop in the value of depreciation of non-current assets is a consequence of lengthening the use period of certain assets performed in Q1 2016

Contracted services +7.4 y/y:
 ✓ the value of mining services (including work on Saturdays and Sundays and drilling of excavations) increased
 ✓ the value of transport services increased (higher value of coal sales transactions where LWB was responsible for providing transport to the customer)
 ✓ the value of other contracted services (including R&D and expert reports costs) increased

Materials and energy used +6.4% y/y:
 ✓ the value of energy costs increased due to higher extraction,
 ✓ the value of materials used increased due to higher extent of preparatory works performed



**Provisions at the LW Bogdanka Group**

Item [PLN '000]	31.03.2016	31.03.2017	Change 31.03.2017 / 31.03.2016
Employee provisions	245,273	276,089	12.6%
Liabilities under local property tax	25,975	35,223	35.6%
Mine decommissioning and reclamation provision	131,012	118,124	-9.8%
Mining damage	8,397	4,337	-48.4%
Accident insurance premium (ZUS)	19,055	20,358	6.8%
Other	31,304	14,039	-55.2%
TOTAL	461,016	468,170	1.6%

**Change in provisions at the LW Bogdanka Group**

Item [PLN '000]	Change Q1 2016	Change Q1 2017	Change
Employee provisions	-6,264	9,108	-
Liabilities under local property tax	2,094	2,767	32.1%
Mine decommissioning and reclamation provision	833	701	-15.8%
Mining damage	-100	-103	3.0%
Accident insurance premium (ZUS)	328	316	-3.7%
Other	1,397	125	-91.1%
TOTAL	-1,712	12,914	-



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**Financial highlights of the LW Bogdanka Group
in Q1 2017**



Performance of the plan in Q1 2017



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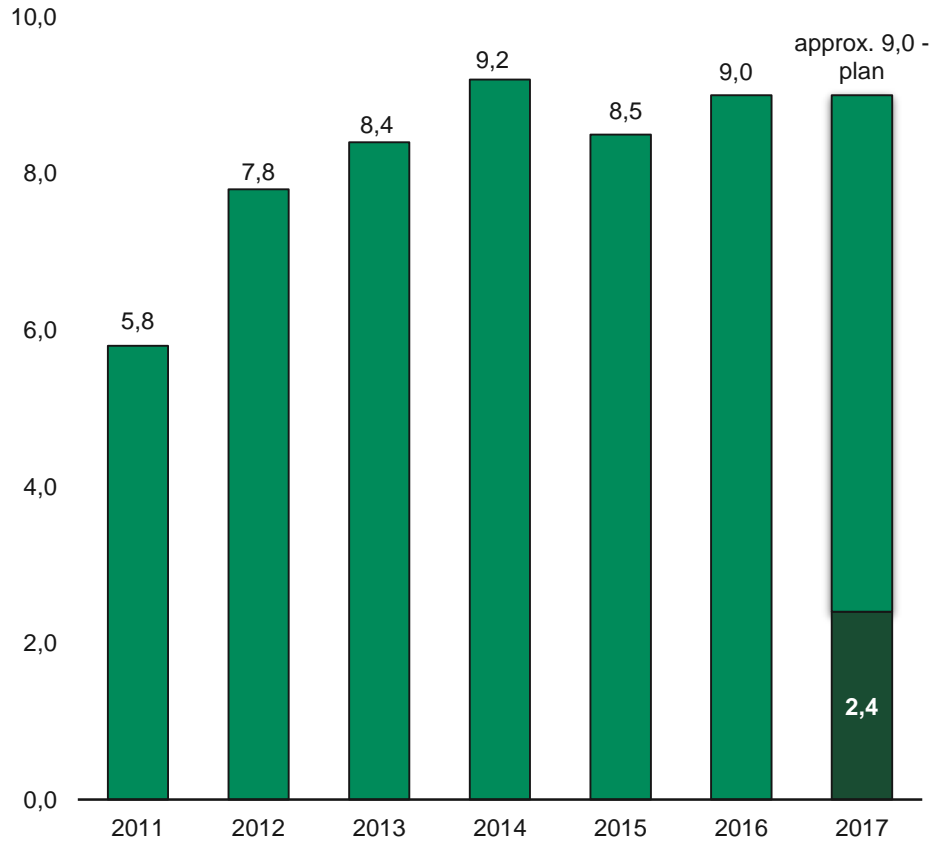


In Q1 2017, the production was in line with the assumed plan – 2.4 million tonnes



We completed the production plan assuming 2.4 million tonnes in Q1 2017 – increase over Q1 2016 by 3.7%

PRODUCTION



- ✓ According to the adopted Strategy, the Company assumes production of approximately 9.0 million tonnes of coal in 2017
- ✓ In Q1 2017, the company produced more than 2.4 million tonnes of coal, and sales were close to the level of production, almost 2.4 million tonnes



The use of CAPEX in Q1 2017 and plan for 2017 - in line with Strategy

Item [PLN '000]	Plan for 2017	Realization of plan Q1 2017	Realization of plan Q1 2017 [%]
New excavations and upgrades of existing ones	289,659	58,812	20.3%
Maintenance of machinery	40,243	5,609	13.9%
Obtaining new licences	18,660	-	-
Other development investments	11,614	159	1.4%
ICT	8,686	370	4.3%
Administration	20	-	-
Transport	489	353	72.2%
Other	7,860	60	0.8%
TOTAL CAPEX in LW Bogdanka S.A.	377,231	65,363	17.3%
Łęczyńska Energetyka sp. z o.o.	8,371	272	3.2%
Other subsidiaries	-	15	-
TOTAL CAPEX AT THE LW BOGDANKA GROUP	385,602	65,650	17.0%

The above amount of capital expenditure includes capitalised borrowing costs of PLN 772,000.



Q1 2017 saw a drop in international coal prices compared to Q4 2016 (-6%). On the domestic market thermal coal prices increased by 2% in comparison to Q4 2016. This represents a drop by 0.2% compared to Q1 2016.

In Q1 2017, the Company performed the production and sales plan at a level of PLN 2.4 million tonnes. Continuing low coal prices strongly affected the achieved financial result. The Company continues to distinguish itself in the industry thanks to a permanent cost control and optimisation of capital expenditure.

The Company retains a strong market position achieving, in Q1 2017, the share in the market of thermal coal sales of 17.8%, and the share in the market of thermal coal sales to commercial power plants of 25.7%.

On 9 February 2017 the Company published its strategy for the Mining Area of the Enea Group until 2025 (under the 2030 framework), including the dividend policy.

On 28 April 2017 the Management Board issued a recommendation regarding payment of dividend from the 2016 profit - PLN 1.0 per share. The above proposal is in line with the dividend policy as announced by the Company in the Development Strategy and received a positive opinion from the Company's Supervisory Board. A final decision regarding distribution of 2016 profit will be made by the Annual General Shareholders Meeting of LW Bogdanka S.A.



Thank you



Contact:

Lubelski Węgiel Bogdanka SA

Bogdanka, 21-013 Puchaczów

Tel. +48 81 462 51 00

bogdanka@lw.com.pl

Investor relations

Tel. +48 81 462 55 44

Tel. +48 81 462 50 29

Fax +48 81 462 54 26

ri@lw.com.pl





Situation on the coal market and key operating data



**Financial highlights of the LW Bogdanka Group
in Q1 2017**



Performance of the plan in Q1 2017

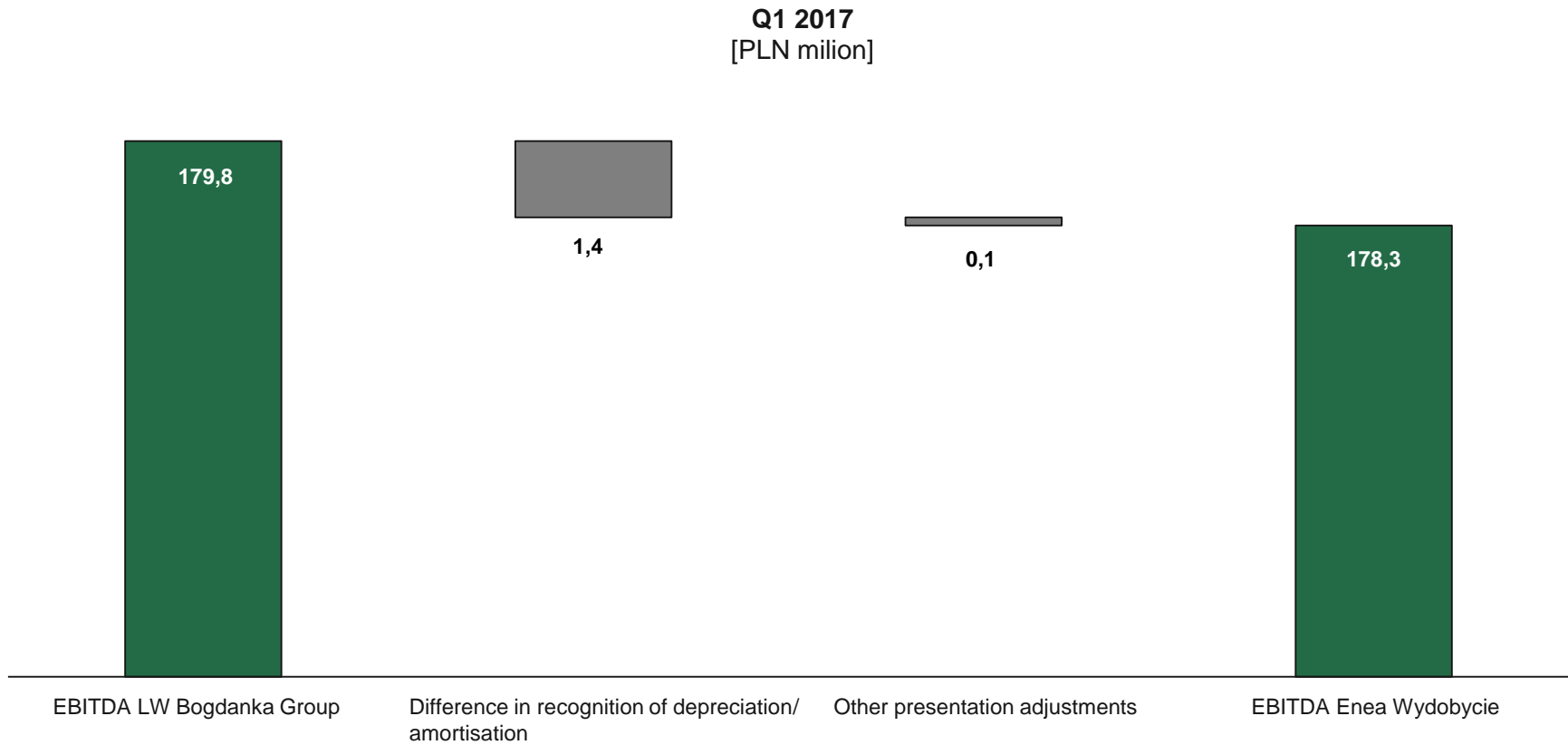


Appendices – Financial information





EBITDA presentation differences between the LW Bogdanka Group and Enea Wydobyocie





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

Item [PLN '000]	Change in provisions in Q1 2016	Impact on financial result in Q1 2016	Change in provisions in Q1 2017	Impact on financial result in Q1 2017
Employee provisions	-6,264	-1,673	9,108	-16,746
Liabilities under local property tax	2,094	-2,094	2,767	-2,767
Mine decommissioning and land reclamation provision	833	-1,475	701	-1,324
Mining damage	-100	-	-103	-
Accident insurance premium (ZUS)	328	-328	316	-316
Other	1,397	-1,469	125	-125
TOTAL	-1,712	-7,039	12,914	-21,278



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

Item [PLN '000]	Change in provisions in Q1 2017	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	9,108	15,005	1,741	-	-	-7,638
Liabilities under local property tax	2,767	1,724	1,043	-	-	-
Mine decommissioning and land reclamation provision	701	442	882	-623	-	-
Mining damage	-103	-	-	-	-	-103
Accident insurance premium (ZUS)	316	-	316	-	-	-
Other	125	51	74	-	-	-
TOTAL	12,914	17,222	4,056	-623	-	-7,741



The Consolidated Income Statement of LW Bogdanka Group

Item [PLN '000]	Q1 2016	Q1 2017	Change
Revenue	420,569	465,166	10.6%
Cost of products, merchandise and materials sold, distribution cost, administrative expenses	341,953	375,836	9.9%
Gross profit	78,616	89,330	13.6%
Gross margin	18.7%	19.2%	0.5 p.p
Other income	1,059	1,228	16.0%
Other expenses	583	55	-90.6%
Net operating profit/loss	79,092	90,503	14.4%
Other net gains/loss	207	760	267.1%
Operating profit (EBIT)	78,885	89,743	13.8%
EBIT margin	18.8%	19.3%	0.5 p.p
EBITDA	173,345	179,820	3.7%
EBITDA margin	41.2%	38.7%	-2.5 p.p
Finance income	1,615	2,519	56.0%
Finance costs	7,671	7,400	-3.5%
Profit before tax	72,829	84,862	16.5%
Pre-tax profit margin	17.3%	18.2%	0.9 p.p
Income tax	18,383	16,683	-9.2%
Net profit for the reporting period	54,446	68,179	25.2%
Net margin	12.9%	14.7%	1.8 p.p

**Statement of Financial Position of LW Bogdanka Capital Group**

Item [PLN '000]	31.12.2016	31.03.2017
Non-current assets, including:	2,929,788	2,902,270
Cash and cash equivalents	111,218	111,244
Current assets, including:	870,501	647,870
Cash and cash equivalents	541,106	321,082
Total assets	3,800,289	3,550,140
Current liabilities	747,810	493,188
Non-current liabilities	760,072	696,366
Total liabilities	1,507,882	1,189,554
Equity	2,292,407	2,360,586
Current borrowings	3,273	3,260



Item [PLN '000]	Q1 2016	Q1 2017
Net cash flows on operating activities	158,785	175,485
Cash inflow from operating activities	164,931	186,277
Interest received	2,314	948
Income tax paid	-8,460	-11,740
Net cash flows on investing activities	-69,374	-91,706
Acquisition of property, plant and equipment	-58,951	-94,942
Interest paid regarding investing activity	-877	-781
Acquisition of intangible assets	-1,087	-237
Inflow from the sale of property, plant and equipment	6	2,226
Interest received	1,033	2,054
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	-9,498	-26
Net cash flows on financing activities	669	-303,803
Proceeds from loans and borrowings	4,984	-
Bond redemption	-	-300,000
Repayments of loans and borrowings	-759	-759
Interest and commissions paid due to financing activities	-3,556	-3,044
Net increase (decrease) in cash and cash equivalents	90,080	-220,024
Cash and cash equivalents at beginning of period	262,037	541,106
Cash and cash equivalents at end of period	352,117	321,082



Sales structure at LW Bogdanka Capital Group

Item [PLN '000]	Q1 2016	Share [%]	Q1 2017	Share [%]
Coal sales	405,020	96.4%	448,829	96.5%
Other activities	12,456	2.9%	13,873	3.0%
Sales of merchandise and materials	3,093	0.7%	2,464	0.5%
Total revenue	420,569	100.0%	465,166	100.0%



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Thank you for your attention



Enea

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