



**Presentation of results  
the LW Bogdanka Group  
Q3, Q1-Q3 2017**



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





## The Management Board of LW Bogdanka SA



**Krzysztof Szlaga**  
President of the  
Management Board



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Vice-President of the  
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**Adam Partyka**  
Vice-President of the  
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Vice-President of the  
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Production – Head of  
Mining Supervision in  
Mining Facility



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



## Situation on the coal market and key operating data



**Financial highlights of the LW Bogdanka Group  
in Q3, Q1-Q3 2017**

**Performance of the plan in Q3, Q1-Q3 2017**

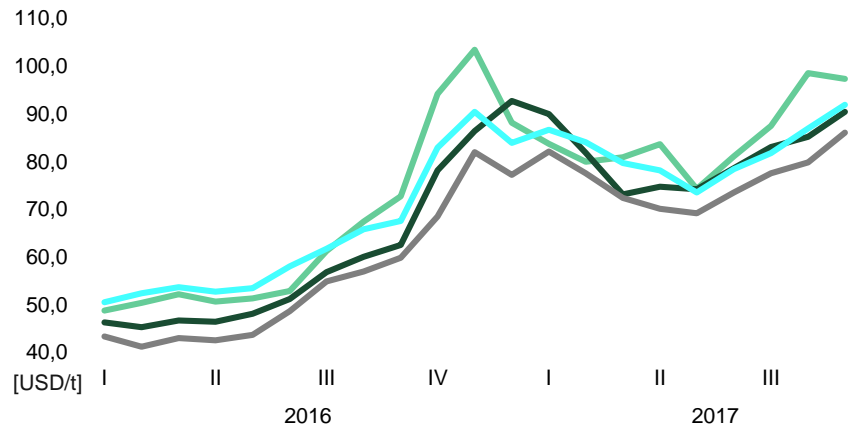
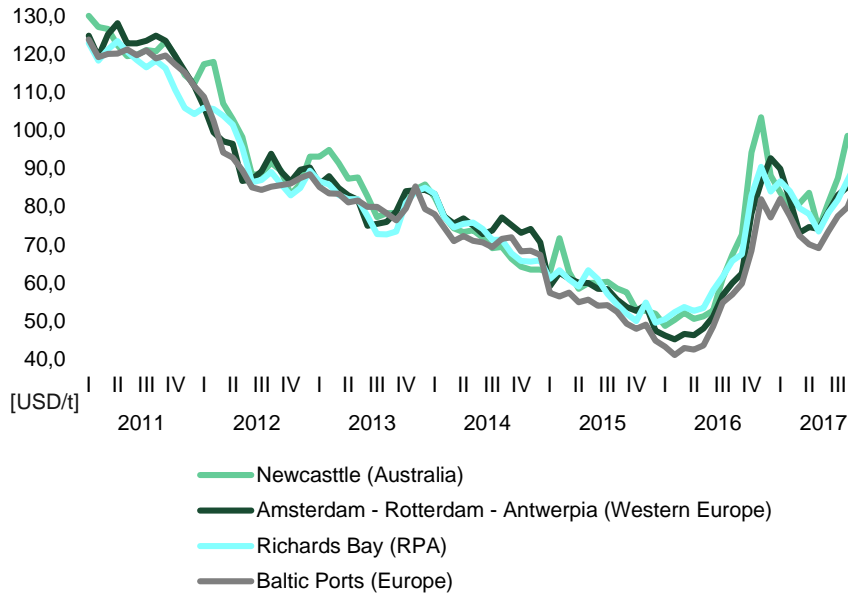
**Appendices – Financial information**



**In the third quarter, the increase in global and domestic coal prices**



# Rises of coal prices on the global market in Q3 2017



### CIF ARA coal prices

- ✓ **USD 87/tonne – the average annual coal price (CIF ARA) in Q3 2017**, i.e. +45.0% compared to Q3 2016 (USD 60/tonne) and +45.0% to annual average in 2016 (USD 60/tonne)
- ✓ compared to Q2 2017 (USD 77/tonne) represents an increase by 13.0%
- ✓ Between Q1 2011 and Q3 2017 the coal price (CIF ARA) dropped by almost 26.0%, but from the moment of rebound (January 2016 – September 2017) the average monthly price went up from USD 46/tonne to USD 92/tonne (+100.0%)

### Inventories in ARA ports

- ✓ 4.6 million tonnes of coal inventories at the end of September 2017 in ARA ports – similarly as in July 2017

### Prices in the world's ports

- ✓ The average coal price FOB Baltic Ports in Q3 2017 amounted to USD 81/tonne, compared to Q2 2017 (USD 71/tonne), which represents an increase by 14.1%; +44.6% compared to 2016 average (USD 56/tonne)
- ✓ Between 2011 and Q3 2017 the coal price FOB BP dropped by almost 30.0%, but from the moment of rebound (January 2016 – September 2017) the price went up from USD 43/tonne to USD 86/tonne (+100.0%)

### China

- ✓ approx. 883 million tonnes of coal were produced in Q3 2017, -0.9% compared to Q2 2017
- ✓ Approx. 2.6 billion tonnes of coal were produced in Q1-Q3 2017, +4.0% compared to Q1-Q3 2016 (2.5 billion)
- ✓ Imports in Q1-Q3 2017 was 205 million tonnes and was higher by approx. 14.0% compared to Q1-Q3 2016

### USA

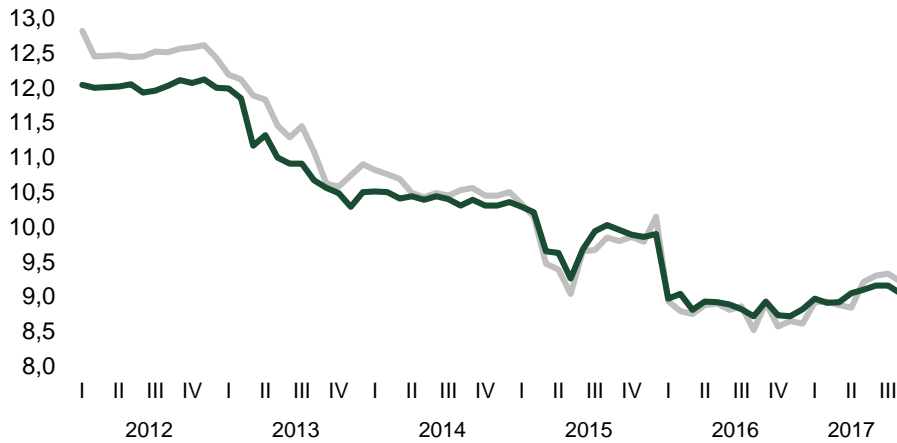
- ✓ Production in Q1-Q3 2017 – 536 million tonnes, i.e. +11.7% compared to Q1-Q3 2016 (480 million tonnes)
- ✓ Consumption in Q1-Q3 2017 – 499 million tonnes, i.e. +0.2% compared to Q1-Q3 2016 (498 million tonnes)
- ✓ Exports in Q1-Q3 2017 – 62.3 million tonnes of hard coal, i.e. more by 68.0% y/y
- ✓ Main customers: countries in Europe and Asia

### Russia

- ✓ From January to September 2017 exports of coal in Russia increased by 5.4% y/y to the level of 138 million tonnes
- ✓ Production in Q1-Q3 2017 – 299 million tonnes
- ✓ Exports to Poland in Q1-Q3 2017 – 5.2 million tonnes, i.e. up by 48.6% compared to Q1-Q3 2016 (3.5 million tonnes)

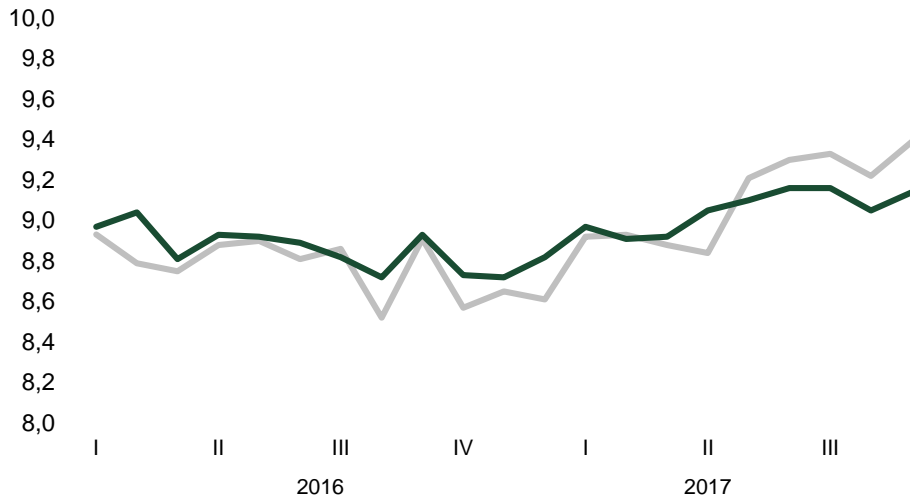


## Stabilisation in domestic coal prices in Q3 2017 vs. Q2 2017



[PLN/GJ]

— PSCMI index - thermal coal  
— commercial power plants - thermal coal



### Thermal coal prices

- ✓ in Q3 2017, the average price of thermal coal for commercial power plants was PLN 9.12 per GJ – up by 0.2% compared to Q3 2017
- ✓ the price trend shows a 3.4% increase Q3 2017 compared to Q3 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 24.1% between January 2012 and September 2017

### Thermal coal prices based on the PSCMI index

- ✓ in Q3 2017, the average price based on the PSCMI index was about PLN 9.31 per GJ, which in comparison with Q2 2017 (PLN 9.12 per GJ) represents an increase by about 2.1%
- ✓ compared to Q3 2016 (PLN 8.76 per GJ) the PSCMI index price increased by 6.3%



## Decrease in inventories, extraction and sales in thermal coal market in Poland in Q3 2017 compared to Q3 2016

### PERFORMANCE OF POLISH COMPANIES\*:

	Q3 2016	Q3 2017	Change	Q1-Q3 2016	Q1-Q3 2017	Change
Extraction of thermal coal in domestic coal market (million tonnes)	13.8	12.4	-10.1%	40.8	37.5	-8.1%
Sales of thermal coal in domestic coal market (million tonnes)	14.2	11.2	-21.1%	38.4	35.1	-8.6%
Average cost of coal sold (PLN)	245.8	268.2	9.1%	258.7	264.6	2.3%
<b>COAL PRICES:</b>						
Average price of power coal (PLN)	216.4	242.3	12.0%	218.0	235.5	8.0%
Average price of coal sold to commercial power industry (PLN)	190.2	191.9	0.9%	190.6	191.5	0.5%
<b>DEMAND/SUPPLY:</b>						
Production of electric power in commercial power plants with the use of hard coal (GWh)**	18,635	19,432	4.3%	59,427	59,437	0.0%
Inventories of coal in mines (million tonnes)***	2.6	1.2	-53.8%	2.6	1.2	-53.8%

\*data do not include Silesia, Siltech, Ekoplus

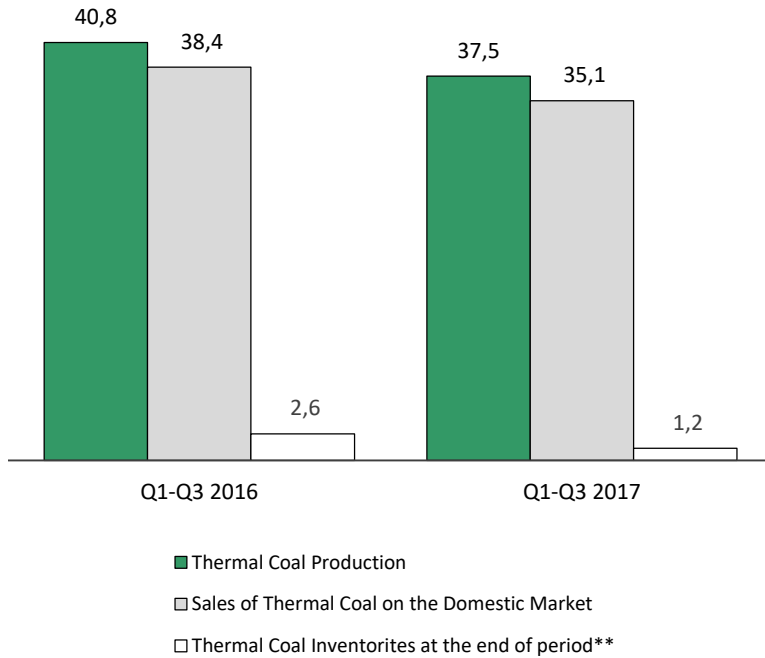
\*\*PSE SA

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

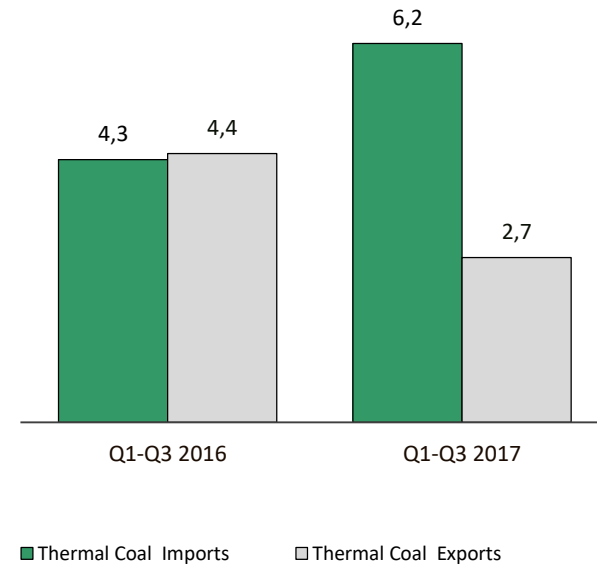


# Drop in extraction, sales and stocks of thermal coal in Polish mines with significant increase in import

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



Thermal coal imports and exports (million tonnes)\*



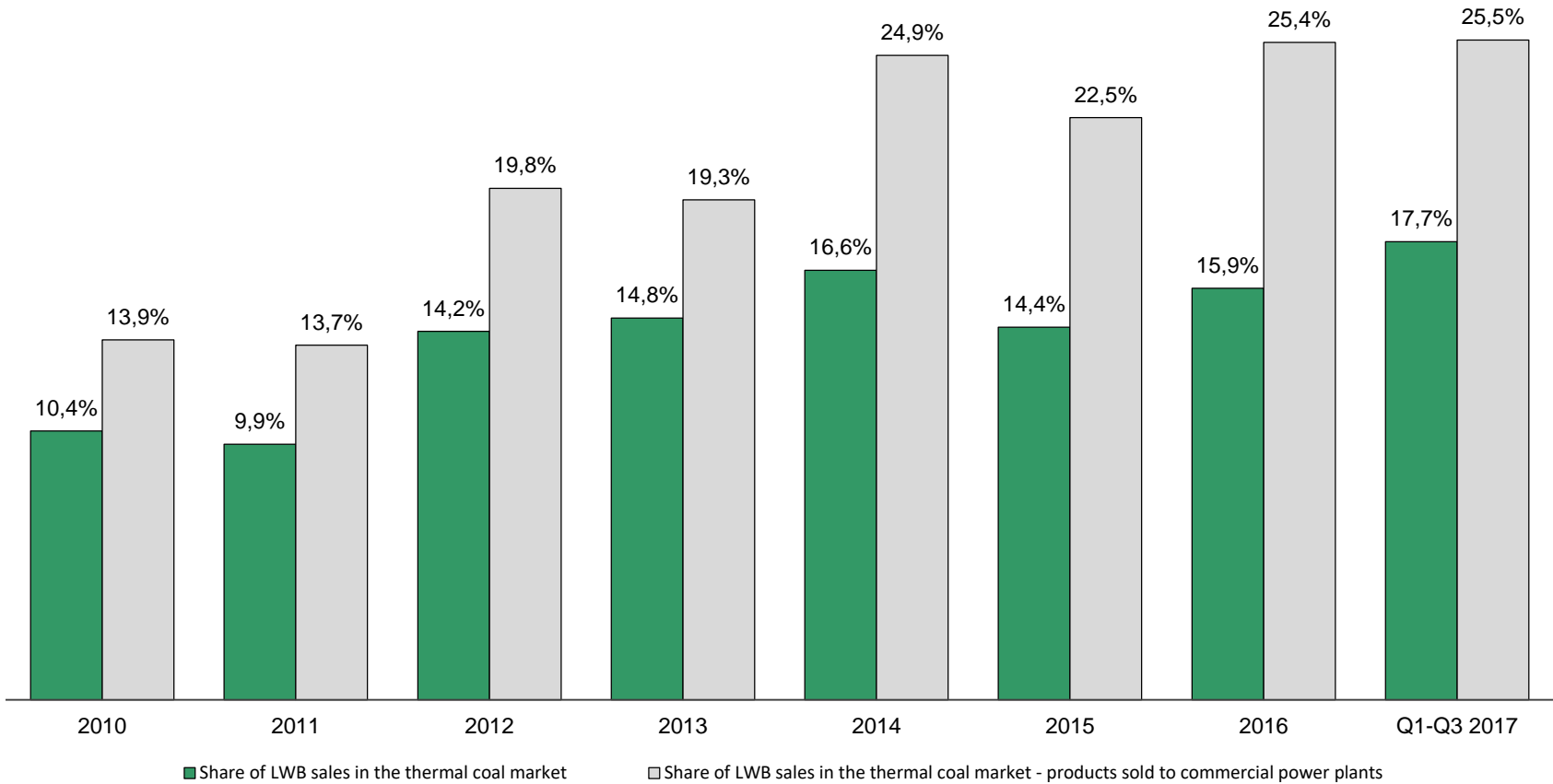
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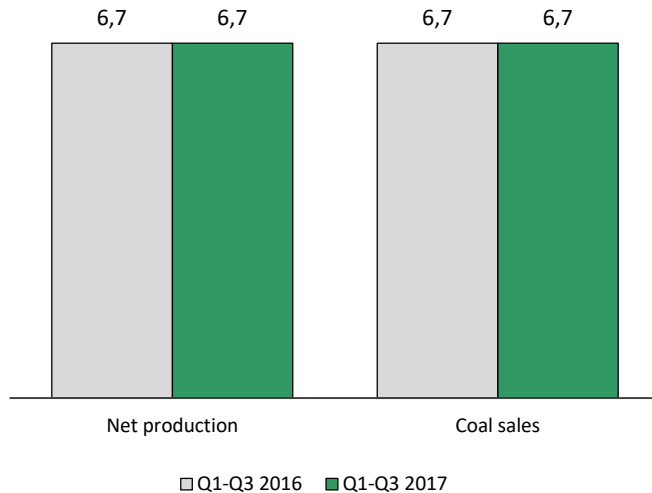
## We keep a very strong position on the coal market – 25.5% of share in sales to commercial power plants





## Production and sales in Q1-Q3 2017 at the level of last year, the increase of new workings

	Q3 2016	Q3 2017	Change	Q1-Q3 2016	Q1-Q3 2017	Change
Gross production ('000 tonnes)	3,831	3,451	-9.9%	10,751	10,208	-5.1%
Net production ('000 tonnes)	2,397	2,154	-10.1%	6,682	6,712	0.4%
New workings (by length) (km)*	5.5	7.5	36.4%	18.4	22.5	22.3%
Coal sales ('000 tonnes)	2,360	2,036	-13.7%	6,739	6,698	-0.6%

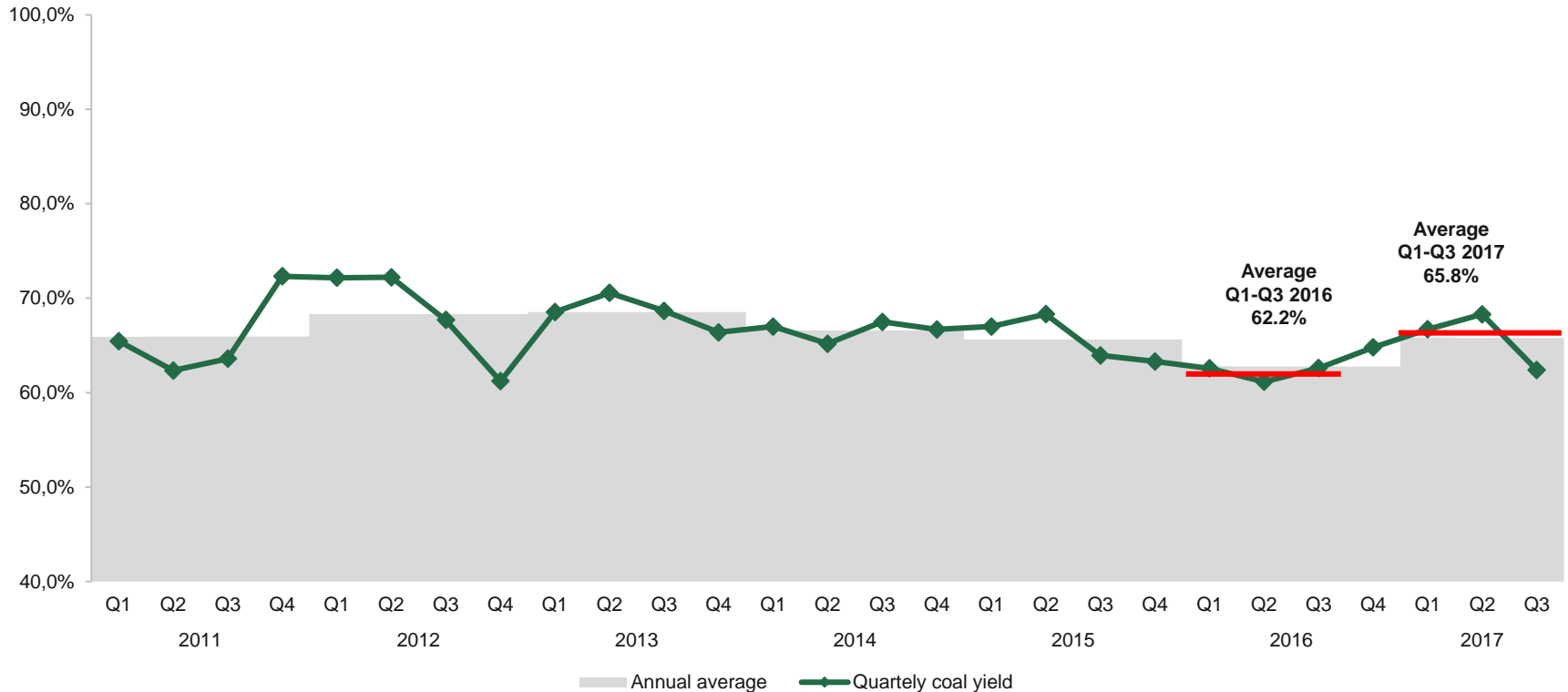


- ✓ more new workings in pursuance of the flexible development scenario (Strategy)
- ✓ production in Q1-Q3 2017 was conducted on 228 days, compared to 226 days in the same period 2016 – increase 0.9%

\*Length of excavations made includes reconstruction works



## Coal yield at a level of 65.8% in Q1-Q3 2017



- ✓ coal yield in Q3 2017 was about 62.4% and was lower than in Q3 2016 (62.6%), and lower than in Q2 2017 (68.3%), caused with difficult mining and geological conditions.
- ✓ coal yield in Q1-Q3 2017 was about 65.8% and was higher than in Q1-Q3 2016 (62.2%)
- ✓ in Q3 2017 46.0% of raw coal was obtained from plough walls and 54.0% shearer walls. In the same period of 2016 this ratio was 46.3% to 53.7%, in Q1-Q3 2017 55.2% of raw coal was obtained from plough walls and , and 44.8% shearer walls. In the same period of 2016 this ratio was 65.7% to 34.3%



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**Good operating and financial results, cost efficiency**





## We achieved good operating results Q1-Q3 2017 – improved financial results with a similar level of extraction and sales

Item	Unit	Q3 2016	Q3 2017	Change	Q1-Q3 2016	Q1-Q3 2017	Change
<b>Technical and operating data</b>							
<b>Gross production</b>	<b>'000 tonnes</b>	<b>3,831</b>	<b>3,451</b>	<b>-9.9%</b>	<b>10,751</b>	<b>10,208</b>	<b>-5.1%</b>
Net production	'000 tonnes	2,397	2,154	-10.1%	6,682	6,712	0.4%
<b>Coal yield</b>	<b>%</b>	<b>62.6%</b>	<b>62.4%</b>	<b>-0.2 p.p.</b>	<b>62.2%</b>	<b>65.8%</b>	<b>3.6 p.p.</b>
Coal sales	'000 tonnes	2,360	2,036	-13.7%	6,739	6,698	-0.6%
<b>Inventories (end of period)</b>	<b>'000 tonnes</b>	<b>172</b>	<b>140</b>	<b>-18.6%</b>	<b>172</b>	<b>140</b>	<b>-18.6%</b>
New workings (by length)*	km	5.5	7.5	36.4%	18.4	22.5	22.3%
<b>Financial data</b>							
<b>Revenue</b>	<b>PLN '000</b>	<b>465,442</b>	<b>405,046</b>	<b>-13.0%</b>	<b>1,314,387</b>	<b>1,307,132</b>	<b>-0.6%</b>
EBITDA	PLN '000	154,900	133,904	-13.6%	432,279	452,539	4.7%
<b>EBITDA margin</b>	<b>%</b>	<b>33.3%</b>	<b>33.1%</b>	<b>-0.2 p.p.</b>	<b>32.9%</b>	<b>34.6%</b>	<b>1.7 p.p.</b>
EBIT	PLN'000	58,072	44,412	-23.5%	154,637	191,886	24.1%
<b>EBIT margin</b>	<b>%</b>	<b>12.5%</b>	<b>11.0%</b>	<b>-1.5 p.p.</b>	<b>11.8%</b>	<b>14.7%</b>	<b>2.9 p.p.</b>
Net profit	PLN'000	45,205	31,531	-30.2%	120,159	143,655	19.6%
<b>Net debt/EBITDA**</b>	<b>-</b>	<b>0.3</b>	<b>0.06</b>	<b>-80.0%</b>	<b>0.3</b>	<b>0.06</b>	<b>-80.0%</b>

\*Length of new working includes reconstruction works

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



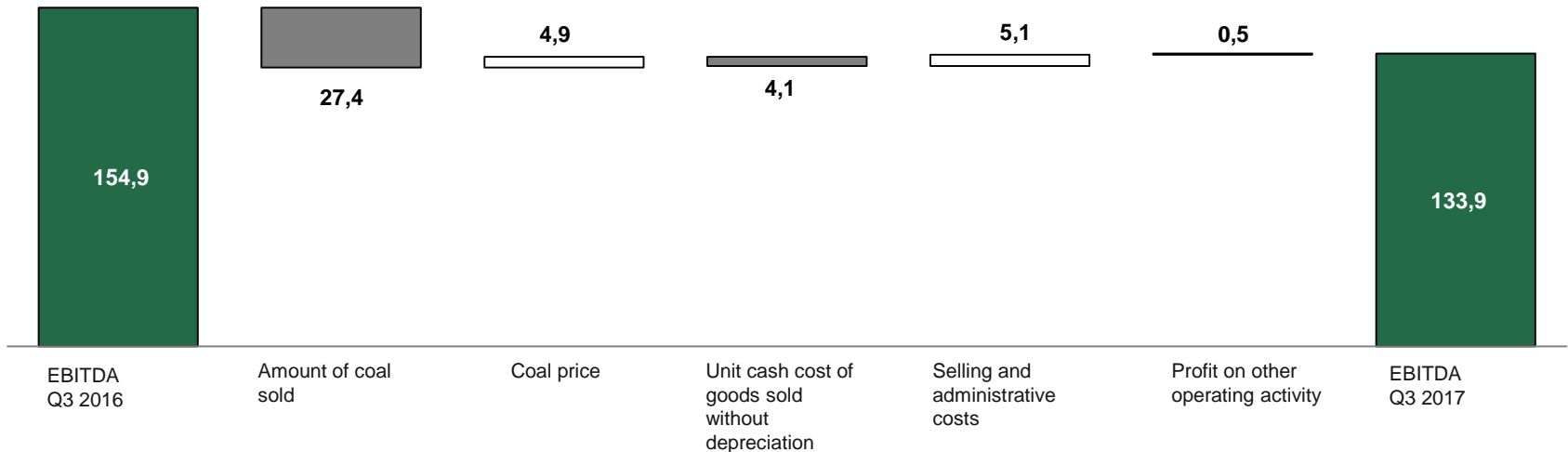
## Lower amount of sold coal – drop in EBITDA for Q3 2017 compared to Q3 2016

[PLN million]	Q3 2016	Q3 2017	Change
EBITDA The LW Bogdanka Group	154.9	133.9	-13.6%

### Q3 2017

- ✓ drop in EBITDA by PLN 21.0 million (-13.6%)
- ✓ decrease in the volume of coal sold by 13.7%
- ✓ increase in the price of coal sold by 1.1%
- ✓ increase in unit cost of products, goods and materials sold net of depreciation/amortisation – permanent control of costs with significantly reduced volume of coal sold (-324,000 tonnes)
- ✓ drop in selling and administrative costs: selling costs – lower cost of advertising and sponsorship (different payment schedule), lower costs of wagon repair service; administrative expenses – positive balance of provisions

### Factors affecting EBITDA [PLN million]





## Lower unit production cost – increase in EBITDA in Q1-Q3 2017 compared to Q1-Q3 2016

[PLN million]	Q1-Q3 2016	Q1-Q3 2017	Change
EBITDA The LW Bogdanka Group	432.3	452.5	4.7%

### Q1-Q3 2017

- ✓ increase in EBITDA by PLN 20.2 million (4.7%)
- ✓ decrease in the volume of coal sold by 0.6%
- ✓ decrease in the price of coal sold by 0.03%
- ✓ drop in unit cost of products, goods and materials sold net of depreciation – improved cost efficiency (drop in production costs) with a decreasing amount of coal sold
- ✓ higher administrative expenses and selling costs: selling costs – recognition of costs of logistics and customs duty services of coal sold to Ukraine; administrative expenses – lower base of 2016, costs of management options were derecognised; 2017 – higher depreciation/amortisation costs, payments to the National Disabled Persons Rehabilitation Fund and real property tax;
- ✓ lower operating result – in 2016 the provision for damages for Budimex was released following a ruling issued by the Court of Appeals, which was advantageous for the Parent (overestimated basis effect)

### Factors affecting EBITDA

[PLN million]





## Increase in coal production in Q1-Q3 2017(+0.4%) with a drop in total production cost (-3.4%)

Item [PLN '000]	Q3 2016	Q3 2017	Change	Q1-Q3 2016	Q1-Q3 2017	Change
Net production ['000 tonnes]	2,397	2,154	-10.1%	6,682	6,712	0.4%
Coal sales ['000 tonnes]	2,360	2,036	-13.7%	6,739	6,698	-0.6%
Depreciation and amortization	87,420	87,388	0.0%	263,638	254,319	-3.5%
Materials and energy	100,951	136,921	35.6%	311,972	354,113	13.5%
External services	97,708	103,506	5.9%	287,606	300,831	4.6%
Employee cost and benefits	121,887	117,654	-3.5%	363,413	353,832	-2.6%
Entertainment and advertising	2,488	2,229	-10.4%	6,078	5,278	-13.2%
Taxes and charges	10,661	9,974	-6.4%	28,628	29,226	2.1%
Other expenses	4,497	4,456	-0.9%	13,901	5,843	-58.0%
<b>Cost by nature</b>	<b>425,612</b>	<b>462,128</b>	<b>8.6%</b>	<b>1,275,236</b>	<b>1,303,442</b>	<b>2.2%</b>
Cost of activities for the Company's own needs	-44,613	-87,337	95.8%	-140,641	-205,544	46.1%
Accruals and deferrals	29,187	16,757	-42.6%	59,990	55,079	-8.2%
Value of coal obtained from excavations	-11,945	-12,308	3.0%	-49,074	-45,354	-7.6%
Provisions and other presentation adjustments between costs by type and by function	4,090	-4,023	-198.4%	6,249	4,638	-25.8%
<b>Total production costs</b>	<b>402,331</b>	<b>375,217</b>	<b>-6.7%</b>	<b>1,151,760</b>	<b>1,112,261</b>	<b>-3.4%</b>
Change in product inventories	-5,369	-18,312	241.1%	7,554	-1,596	-121.1%
Value of goods and materials sold	2,805	3,480	24.1%	8,846	9,293	5.1%
<b>Own cost of production sold, including:</b>	<b>399,767</b>	<b>360,385</b>	<b>-9.9%</b>	<b>1,168,160</b>	<b>1,119,958</b>	<b>-4.1%</b>
Costs of products, goods and materials sold	363,466	329,443	-9.4%	1,076,028	1,022,208	-5.0%
Selling costs	10,951	8,633	-21.2%	29,310	30,750	4.9%
Administrative costs	25,350	22,309	-12.0%	62,822	67,000	6.7%



## Increase in coal production in Q1-Q3 2017(+0.4%) with a drop in total production cost (-3.4%)

**Net production** – increase by 0.4%, i.e. by approx. PLN 30 million tonnes

**New workings** – increase by 22.3% (22.5 km in Q1-Q3 2017 compared to 18.4 km in Q1-Q3 2016)

**Total costs by type for Q1-Q3 2017** – PLN 1,303.4 million – increase in relation to Q1-Q3 2016 by 2.2%, i.e. by PLN 28.2 million

**Cash costs (net of depreciation/amortisation)** – increase by 3.7%, i.e. by approx. PLN 37.5 million

**Total costs of production** – PLN 1,112.3 million w Q1-Q3 2017 compared to PLN 1,151.8 million in Q1-Q3 2016 – down by 3.4%

### Entertainment and advertising costs (-13.2% y/y):

- ✓ Transfers in periods payments for the sponsoring of sport activities.

### Employee benefits (-2.6% y/y):

- ✓ As at 30 September 2017, workforce accounted for 4,480 people and was lower by 22 compared to 30 September 2016.
- ✓ Higher base of 2016 – in 2016 additional annual bonus was paid to the employees

### External services (+4.6 y/y):

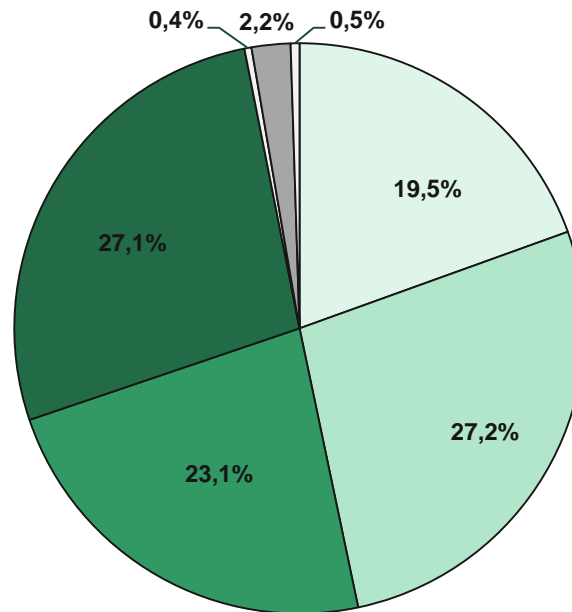
- ✓ Increase in value of drilling and mining services (higher amount of excavations);

### Taxes and charges (+2.1% y/y):

- ✓ increase in payments to the National Disabled Persons Rehabilitation Fund
- ✓ increase in real property tax

### Other costs (-58.0% y/y):

- ✓ Change in settlement period of the insurance policy.



### Depreciation/Amortisation (-3.5% y/y):

- ✓ Drop in natural depreciation (lower gross extraction, higher share in the cutting machine walls).

### Materials and energy used (+13.5% y/y):

- ✓ Increase in costs of materials used due to higher extent of preparatory works performed;
- ✓ Slight increase in the value of the purchased energy – a drop in electric energy consumption was recorded with an increase in the value of water consumption (in Q1-Q3 2016 the sales of water for 2016 was recalculated in relation to a decrease in the price).



**Provisions at the LW Bogdanka Group**

<b>Item [PLN '000]</b>	<b>31.12.2016</b>	<b>30.09.2017</b>	<b>Change</b>
Employee provisions	266,981	298,560	11.8%
Liabilities under local property tax	32,456	39,939	23.1%
Mine decommissioning and land reclamation provision	117,423	117,036	-0.3%
Mining damage	4,440	3,612	-18.6%
Accident insurance premium (ZUS)	20,042	21,015	4.9%
Other	13,914	13,214	-5.0%
<b>TOTAL</b>	<b>455,256</b>	<b>493,376</b>	<b>8.4%</b>

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

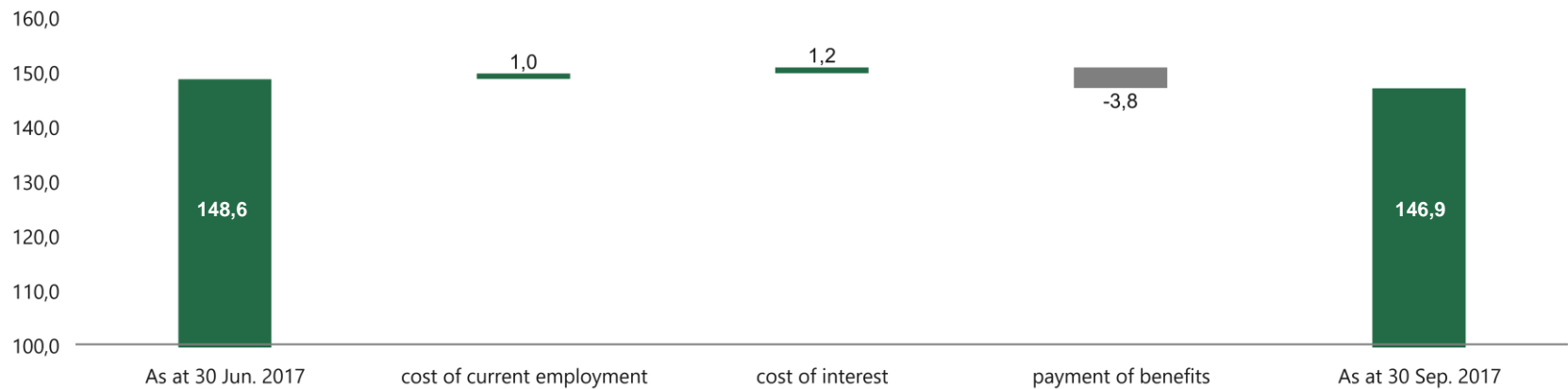
Item [PLN '000]	Change Q3 2016	Change Q3 2017	Change	Change Q1-Q3 2016	Change Q1-Q3 2017	Change
Employee provisions	-2,100	-5,682	170.6%	7,130	31,579	342.9%
Liabilities under local property tax	2,164	2,379	9.9%	6,383	7,483	17.2%
Mine decommissioning and land reclamation provision	836	-384	-	-5,958	-387	-93.5%
Mining damage	-342	-629	83.9%	-694	-828	19.3%
Accident insurance premium (ZUS)	329	330	0.3%	985	973	-1.2%
Other	147	478	225.2%	-17,530	-700	-96.0%
<b>TOTAL</b>	<b>1,034</b>	<b>-3,508</b>	<b>-</b>	<b>-9,684</b>	<b>38,120</b>	<b>-</b>



## Provisions for coal allowances as at the end of Q4 2016, Q2 2017 and Q3 2017

Item [PLN '000]	31.12.2016	30.06.2017	30.09.2017
Employee benefits	266,981	304,242	298,560
Including: coal allowances	114,876	148,568	146,943
<i>current retirees</i>	73,274	95,242	92,144
<i>current employees - future retirees</i>	41,602	53,326	54,799

**Change in provisions for coal allowances  
30 Sep. 2017 compared to 30 Jun. 2017  
[PLN million]**





## Projected change in provisions resulting from the Agreement signed between LW Bogdanka S.A. and the Trade Unions

	[PLN million]
<b>Base amount of the provision for coal allowances as at 30 September 2017</b>	<b>147</b>
<b>1. current retirees</b>	92
The portion of the provision allocated to the current retirees will be entirely released. The amount of the released provision will be entirely added to the pre-tax profit/loss.	-92
<b>2. current employees - future retirees</b>	55
The portion of the provision allocated to the current employees (future retirees) will be entirely released, however the above effect will be set off by:	-55
<i>Option 1: the above provision will be replaced by another provision for an additional severance pay for retirees and pensioners</i>	27
<i>or</i>	
<i>Option 2: cost of payment of a one-off benefit in the amount of discounted PLN 10,000 net per person</i>	37
<b>In total, the above changes will affect the change in provisions as follows:</b>	
<i>Option 1: if an additional severance pay for retirees and pensioners is created</i>	-120
<i>Option 2: if a one-off payment of the discounted PLN 10,000 net is made</i>	-110

According to LWB's estimates, the majority of entitled employees will take advantage of the one-off payment of the discounted PLN 10,000 net, therefore the estimated impact on the operating profit/loss will be approx. + PLN 110 million. An ultimate change in the balance of provisions, as referred to above, will be presented in the Company's periodic report for 2017.



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**Performance of the plan in Q3, Q1-Q3 2017**



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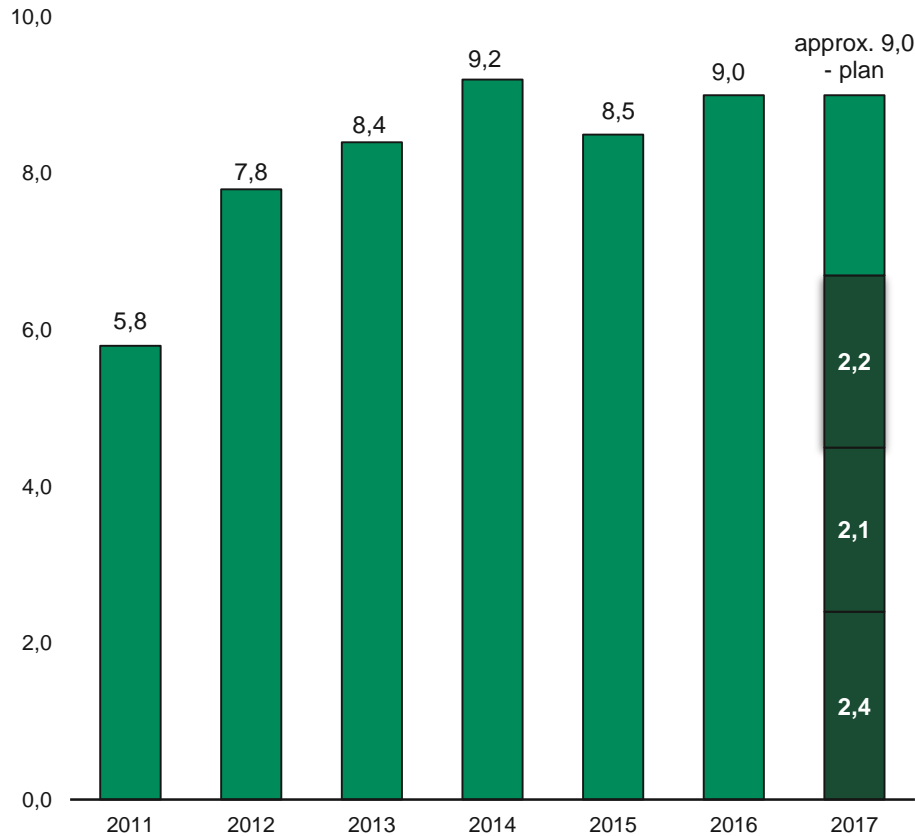


**In Q3 2017, the production was in line with the assumed plan – 2.2 million tonnes**



**We completed production plan – 2.2 million tonnes in Q3 2017 – drop in comparison to Q3 2016 by 10.1%, production for Q1-Q3 2017 was 6.7 million tonnes – annual production target remains unchanged 9.0 million tonnes**

### Production



- ✓ According to the adopted Strategy, the Company assumes production of approximately 9.0 million tonnes of coal in 2017
- ✓ In Q3 2017, the company produced almost 2.2 million tonnes of coal, and sales were lower than the level of production, slightly higher than 2.0 million tonnes



## The use of CAPEX in Q1-Q3 2017 and plan for 2017 - in line with Strategy

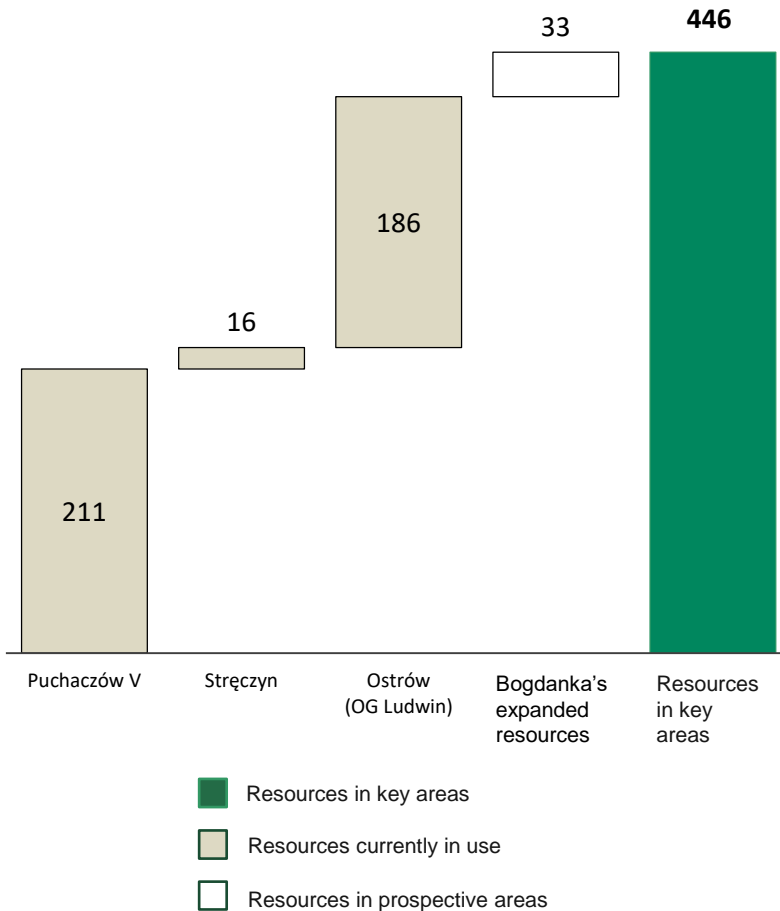
Item [PLN '000]	Plan for 2017	Realization of plan Q1-Q3 2017	Realization of plan Q1-Q3 2017 [%]
New excavations and upgrades of existing ones	289,659	214,738	74.1%
Maintenance of machinery	40,243	29,577	73.5%
Obtaining new licences	18,660	1	-
Other development investments	11,614	5,120	44.1%
ICT	8,686	1,762	20.3%
Administration	20	17	85.0%
Transport	489	353	72.2%
Other	7,860	1,120	14.2%
<b>TOTAL CAPEX in LW Bogdanka S.A.</b>	<b>377,231</b>	<b>252,688</b>	<b>67.0%</b>
Łęczyńska Energetyka sp. z o.o.	8,371	2,121	25.3%
Other subsidiaries	-	32	-
<b>TOTAL CAPEX AT THE LW BOGDANKA GROUP</b>	<b>385,602</b>	<b>254,841</b>	<b>66.1%</b>

The above amount of capital expenditure includes capitalised borrowing costs of PLN 3,120.



## Obtaining of the hard coal mining licence for the Ostrów deposit (Ludwin Mining Area)

Estimated exploitable resources in prospective areas [million tonnes]



- ✓ On **17 November 2017** the Company obtained a mining licence for the **Ostrów** deposit, thus performing one of the assumptions of its Strategy announced this year
- ✓ The Company's current exploitable resources are estimated at a level of **413 million tonnes of coal** and will suffice for 45 years of mining
- ✓ The mining in the Ostrów deposit will be effected in two stages:
  - ✓ Stage 1 – mining based on the existing underground infrastructure. Launching the first wall – **around 2020**.
  - ✓ Stage 2 – **between 2025 and 2030** – vertical deposits to be made available for mining and the necessary facilities and technical infrastructure to be built. Preliminary estimates show that the total capital expenditure required to build such infrastructure will amount to **PLN 1.2 - 1.3 billion** (in real terms).
- ✓ The Company will continue to analyse the **K-6 and K-7** deposits and the **Orzechów** area as prospective locations of future mining operations



**Q3 2017 saw an increase in international coal prices compared to Q2 2017 (+13%). On the domestic market thermal coal prices remained at a similar level as in Q2 2017 (+0.2%).**

**In Q3 2017 the Company performed the production plan at a level of close to 2.2 million tonnes and sales plan at a level of more than 2.0 million tonnes. The Company continues to distinguish itself in the industry thanks to a permanent cost control and optimisation of capital expenditure.**

**The high level of coal yield between Q1 and Q3 2017 was maintained (65.8%), which is more by 3.6 p.p. than in Q1-Q3 2016 (62.2%). Output in Q3 2017 (62.4%), caused with difficult mining and geological conditions.**

**The Company retains a strong market position achieving, in Q1-Q3 2017, the share in the market of thermal coal sales of 17.7%, and the share in the market of thermal coal sales to commercial power plants of 25.5%.**

**The Company signed an Agreement with the Trade Unions with respect to coal allowances paid to retirees and pensioners. The balance of provisions held by the Company will change, which will result in a one-off positive impact on the operating profit/loss in Q4 2017 in the amount of PLN approx. PLN 110 million.**

**On 17 November 2017 the Company obtained a hard coal mining licence for the Ostrów deposit (the Ludwin Mining Area) with the exploitable resources of about 186 million tonnes.**





Thank you



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**Situation on the coal market and key operating data**



**Financial highlights of the LW Bogdanka Group  
in Q3, Q1-Q3 2017**



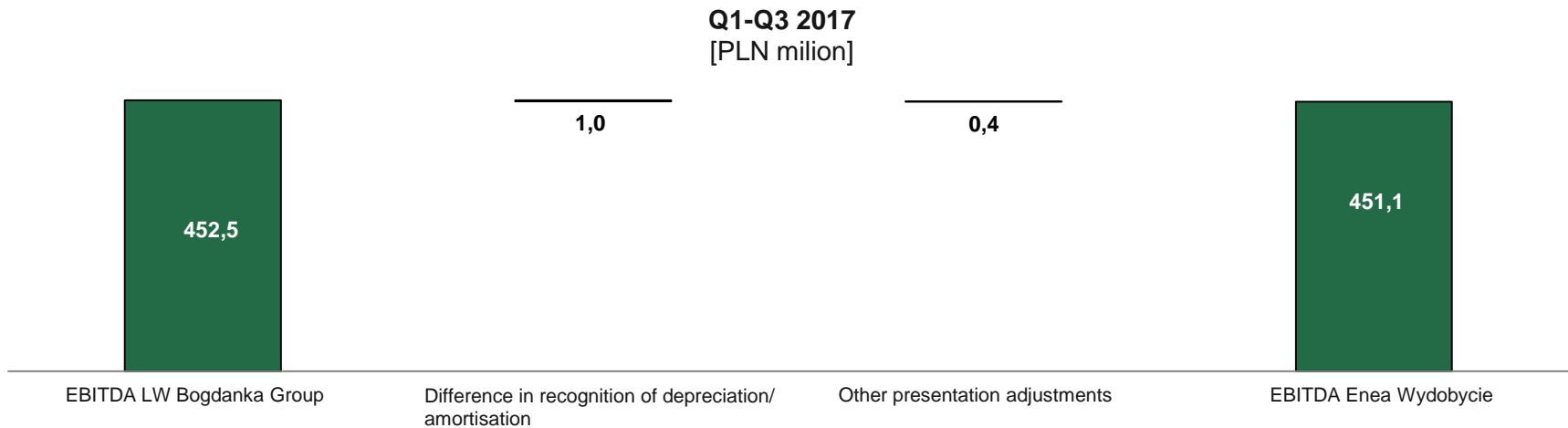
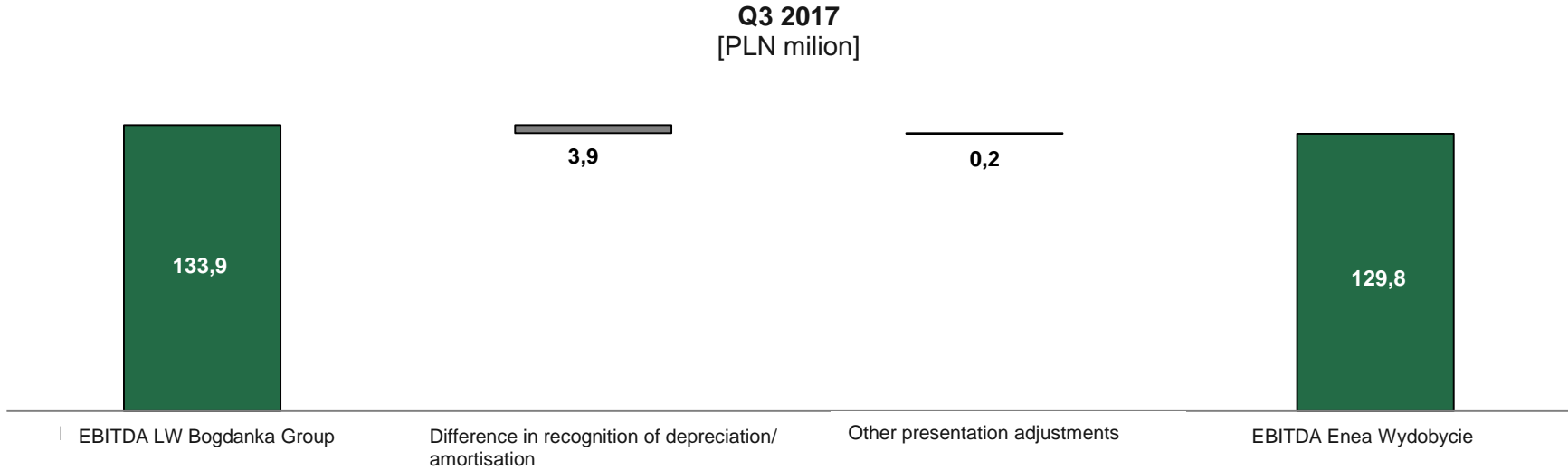
**Performance of the plan in Q3, Q1-Q3 2017**



**Appendices – Financial information**



## EBITDA presentation differences between the LW Bogdanka Group and Enea Wydobycie





## 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 2017	Impact on financial result in Q3 2017
Employee provisions	-2,100	-6,252	-5,682	-9,755
Liabilities under local property tax	2,164	-2,164	2,379	-2,379
Mine decommissioning and land reclamation provision	836	-1,417	-384	-1,290
Mining damage	-342	-	-629	-
Accident insurance premium (ZUS)	329	-329	330	-330
Other	147	-147	478	-564
<b>TOTAL</b>	<b>1,034</b>	<b>-10,309</b>	<b>-3,508</b>	<b>-14,318</b>



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

Item [PLN '000]	Change in provisions In Q3 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	-5,682	7,633	2,122	-	-	-15,437
Liabilities under local property tax	2,379	1,507	872	-	-	-
Mine decommissioning and land reclamation provision	-384	408	882	-1,674	-	-
Mining damage	-629	-	-	-	-	-629
Accident insurance premium (ZUS)	330	-	330	-	-	-
Other	478	489	75	-	-	-86
<b>TOTAL</b>	<b>-3,508</b>	<b>10,037</b>	<b>4,281</b>	<b>-1,674</b>	<b>-</b>	<b>-16,152</b>



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

Item [PLN '000]	Change in provisions in Q1-Q3 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	31,579	28,263	5,603	-	33,476	-35,763
Liabilities under local property tax	7,483	4,954	2,529	-	-	-
Mine decommissioning and land reclamation provision	-387	1,271	2,645	-4,303	-	-
Mining damage	-828	-	-	-	-	-828
Accident insurance premium (ZUS)	973	-	973	-	-	-
Other	-700	1,275	224	-	-	-2,199
<b>TOTAL</b>	<b>38,120</b>	<b>35,763</b>	<b>11,974</b>	<b>-4,303</b>	<b>33,476</b>	<b>-38,790</b>



## The Consolidated Income Statement of LW Bogdanka Group

Item [PLN '000]	Q3 2016	Q3 2017	Change	Q1-Q3 2016	Q1-Q3 2017	Change
<b>Revenue</b>	465,442	405,046	-13.0%	1,314,387	1,307,132	-0.6%
Cost of products, merchandise and materials sold, distribution cost, administrative expenses	399,500	360,711	-9.7%	1,162,107	1,115,710	-4.0%
<b>Gross profit</b>	<b>65,942</b>	<b>44,335</b>	<b>-32.8%</b>	<b>152,280</b>	<b>191,422</b>	<b>25.7%</b>
Gross margin	14.2%	10.9%	-3.3 p.p.	11.6%	14.6%	3.0 p.p.
Other income	274	384	40.1%	13,012	2,143	-83.5%
Other expenses	398	351	-11.8%	1,806	560	-69.0%
<b>Net operating profit</b>	<b>65,818</b>	<b>44,368</b>	<b>-32.6%</b>	<b>163,486</b>	<b>193,005</b>	<b>18.1%</b>
Other net gains/loss	-7,746	44	-	-8,849	-1,119	-87.4%
<b>Operating profit (EBIT)</b>	<b>58,072</b>	<b>44,412</b>	<b>-23.5%</b>	<b>154,637</b>	<b>191,886</b>	<b>24.1%</b>
EBIT margin	12.5%	11.0%	-1.5 p.p.	11.8%	14.7%	2.9 p.p.
<b>EBITDA</b>	<b>154,900</b>	<b>133,904</b>	<b>-13.6%</b>	<b>432,279</b>	<b>452,539</b>	<b>4.7%</b>
EBITDA margin	33.3%	33.1%	-0.2 p.p.	32.9%	34.6%	1.7 p.p.
Finance income	1,873	1,574	-16.0%	12,143	5,647	-53.5%
Finance costs	6,178	5,462	-11.6%	20,888	17,716	-15.2%
<b>Profit before tax</b>	<b>53,767</b>	<b>40,524</b>	<b>-24.6%</b>	<b>145,892</b>	<b>179,817</b>	<b>23.3%</b>
Pre-tax profit margin	11.6%	10.0%	-1.6 p.p.	11.1%	13.8%	2.7 p.p.
Income tax	8,562	8,993	5.0%	25,733	36,162	40.5%
<b>Net profit for the reporting period</b>	<b>45,205</b>	<b>31,531</b>	<b>-30.2%</b>	<b>120,159</b>	<b>143,655</b>	<b>19.6%</b>
Net margin	9.7%	7.8%	-1.9 p.p.	9.1%	11.0%	1.9 p.p.

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

Item [PLN '000]	31.12.2016	30.09.2017
Non-current assets, including:	2,929,788	2,909,210
Cash and cash equivalents	111,218	112,639
Current assets, including:	870,501	721,233
Cash and cash equivalents	541,106	287,116
<b>Total assets</b>	<b>3,800,289</b>	<b>3,630,443</b>
Current liabilities	747,810	662,474
Non-current liabilities	760,072	593,493
<b>Total liabilities</b>	<b>1,507,882</b>	<b>1,255,967</b>
<b>Equity</b>	<b>2,292,407</b>	<b>2,374,476</b>
Current borrowings	3,273	3,250



**Cash flow GK LW Bogdanka**

Item [PLN '000]	Q1-Q3 2016	Q1-Q3 2017
<b>Net cash flows on operating activities</b>	<b>512,535</b>	<b>349,351</b>
Cash inflow from operating activities	523,155	369,787
Interest received	5,164	(814)
Income tax paid	(15,784)	(19,622)
<b>Net cash flows on investing activities</b>	<b>(219,291)</b>	<b>(262,463)</b>
Acquisition of property, plant and equipment	(206,028)	(268,082)
Interest paid regarding investing activity	(2,622)	(2,027)
Acquisition of intangible assets	(4,637)	(506)
Inflow from the sale of property, plant and equipment	54	3,912
Interest received	4,430	5,661
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	(10,488)	(1,421)
<b>Net cash flows on financing activities</b>	<b>(107,538)</b>	<b>(340,878)</b>
Proceeds from loans and borrowings	4,984	-
Bond redemption	(100,000)	(300,000)
Repayments of loans and borrowings	(2,277)	(2,277)
Interest and commissions paid due to financing activities	(10,245)	(4,131)
Dividends paid	-	(34,470)
Net increase (decrease) in cash and cash equivalents	185,706	(253,990)
Cash and cash equivalents at beginning of period	262,037	541,106
<b>Cash and cash equivalents at end of period</b>	<b>447,743</b>	<b>287,116</b>

**Sales structure at LW Bogdanka Capital Group**

Item [PLN '000]	Q3 2016	Share [%]	Q3 2017	Share [%]
Coal sales	453,005	97.3%	393,029	97.0%
Other activities	9,615	2.1%	8,491	2.2%
Sales of merchandise and materials	2,822	0.6%	3,526	0.8%
<b>Total revenue</b>	<b>465,442</b>	<b>100.0%</b>	<b>405,046</b>	<b>100.0%</b>



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Thank you for your attention



**Enea**

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