



**Presentation of results
the LW Bogdanka Group
Q1 2018**



Safety and stable development of the innovative raw materials and energy corporation



Situation on the coal market and key operating data



**Financial highlights of the LW Bogdanka Group
in Q1 2018**

Performance of the plan in Q1 2018

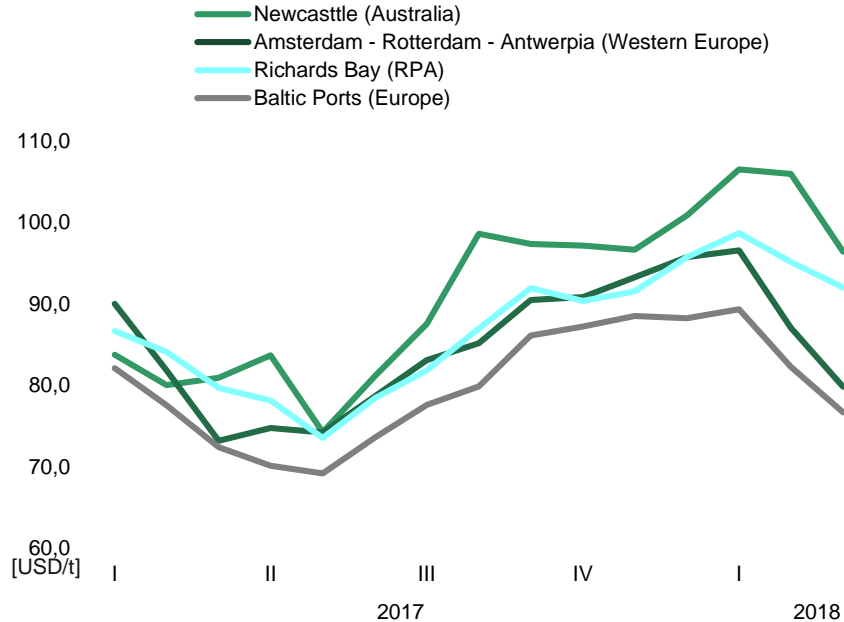
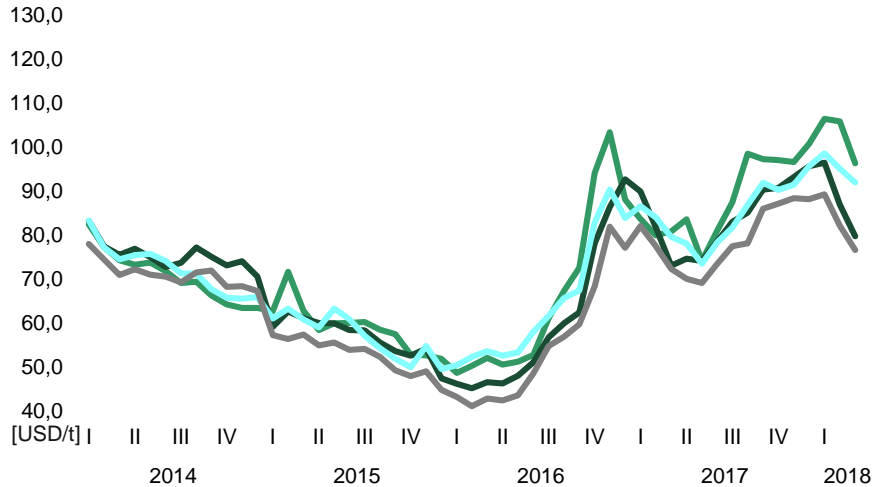
Appendices – Financial information



In the first quarter 2018, the increase in the average price of coal on global market and the increase of domestic thermal coal prices



Rises of coal prices on the global market in Q1 2018 compared to Q1 2017 by 6.2%



CIF ARA coal prices

- ✓ **USD 86/tonne – the average annual coal price (CIF ARA) in Q1 2018, i.e. +6.2% compared to Q1 2017 (USD 81/tonne)**
- ✓ Q1 2018 vs. Q4 2017 (USD 94/tonne) represents a decrease by 8.5%

Inventories in ARA ports

- ✓ 4.4 million tonnes of coal inventories at the end of March 2018 in ARA ports – similarly as in December 2017 (4.5 million tonnes)

Prices in the world's ports

- ✓ 83 USD/t wyniosła średnia cena FOB Baltic Ports w IQ 2018 – w porównaniu do IVQ 2017 (88 USD/t) jest to spadek o 5,7%; vs. IQ 2017 (77 USD/t) jest to wzrost 7,8%

China

- ✓ approx. 806 million tonnes of coal were produced in Q1 2018, -0.4% vs. Q1 2017
- ✓ imports in Q1 2018 was 75 million tonnes and was higher by approx. 15.4% vs. Q1 2017 (65 million tonnes)

USA

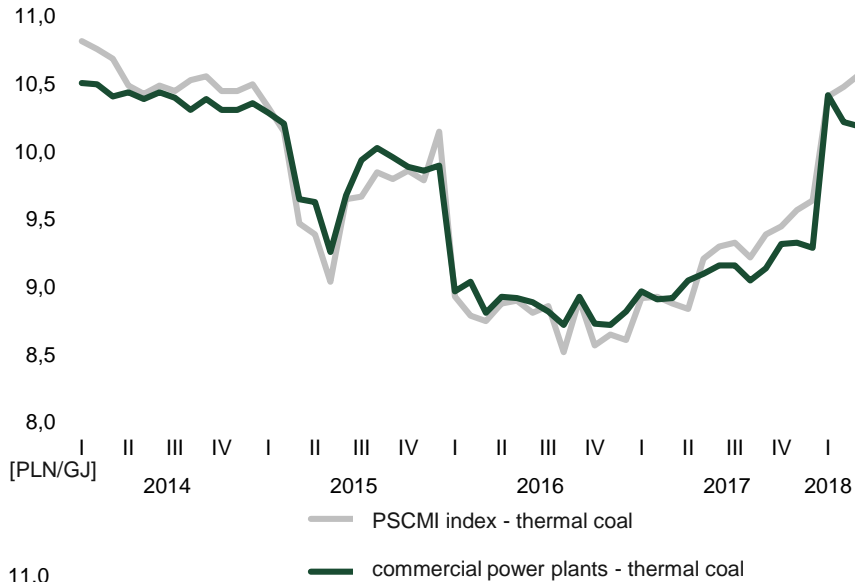
- ✓ production in Q1 2018 – 173 million tonnes, i.e. -3,4% compared to Q1 2017 (179 million tonnes)
- ✓ consumption in Q1 2018 – 157 million tonnes, similarly as in Q1 2017
- ✓ exports in Q1 2018 – 23.7 million tonnes of hard coal, i.e. more by 17.3% y/y
- ✓ main customers: countries in Europe and Asia

Russia

- ✓ exports of coal in Russia in Q1 2018 increased by 6.8% y/y to the level of 44.4 million tonnes vs. Q1 2017
- ✓ production in Q1 2018 – 107 million tonnes i.e. 7.0% vs. Q1 2017
- ✓ exports to Poland in Q1 2018 – 3.0 million tonnes, i.e. up by 114.3% compared to IQ 2017 (1.4 million tonnes)



Rises of coal prices on the domestic market in Q1 2018 compared to Q1 2017 by 15.1%

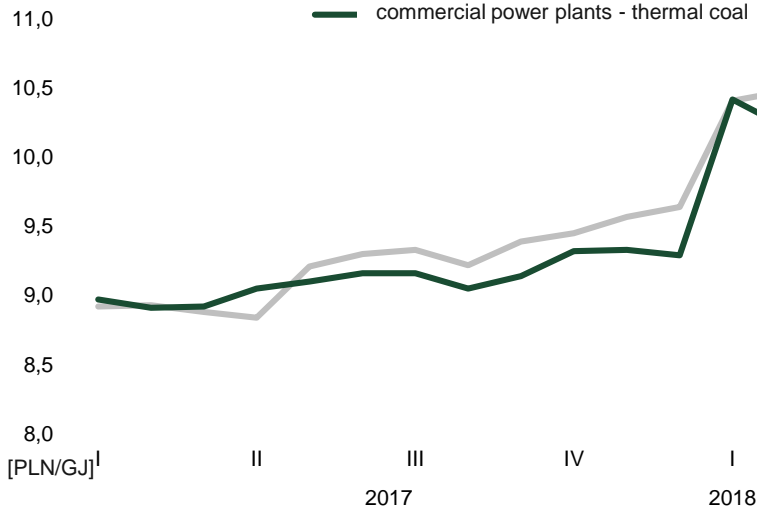


Thermal coal prices

- ✓ in Q1 2018, the average price of thermal coal for commercial power plants was PLN 10.28 per GJ – up by 10.3% compared to Q4 2017
- ✓ the price trend shows a 15.1% increase Q1 2018 compared to Q1 2017
- ✓ average heating value of fine coal for commercial power plants was about 21.3 GJ

Thermal coal prices based on the PSCMI index

- ✓ in Q1 2018, the average price based on the PSCMI index was about PLN 10.49 per GJ, which in comparison with Q4 2017 (PLN 9.55 per GJ) represents an increase by about 9.8%
- ✓ compared to Q1 2017 (PLN 8.91 per GJ) the PSCMI index price increased by 17.7%





Decrease in inventories, extraction and sales in thermal coal market in Poland in Q1 2018 compared to Q1 2017

PERFORMANCE OF POLISH COMPANIES*:

	Q1 2017	Q1 2018	Change
Extraction of thermal coal in domestic coal market (million tonnes)	12.8	12.1	-5.5%
Sales of thermal coal in domestic coal market (million tonnes)	12.4	11.8	-4.8%
Average cost of coal sold (PLN)	257.2	288.0	12.0%
COAL PRICES:			
Average price of power coal (PLN)	229.0	268.8	17.4%
Average price of coal sold to commercial power industry (PLN)	190.0	215.9	13.6%
DEMAND/SUPPLY:			
Production of electric power in commercial power plants with the use of hard coal (GWh)**	21,626	21,839	1.0%
Inventories of coal in mines (million tonnes)***	1,0	0,7	-30.0%

*data do not include Silesia, Siltech, Ekoplus

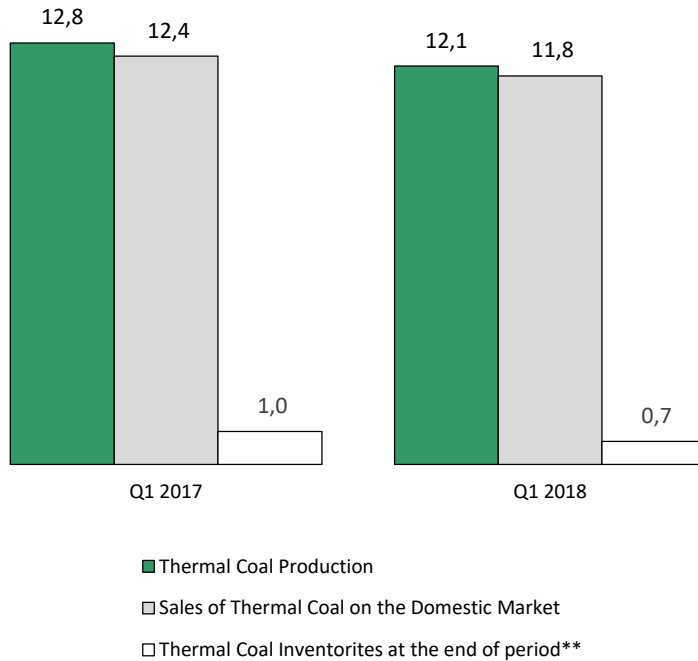
**PSE SA

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

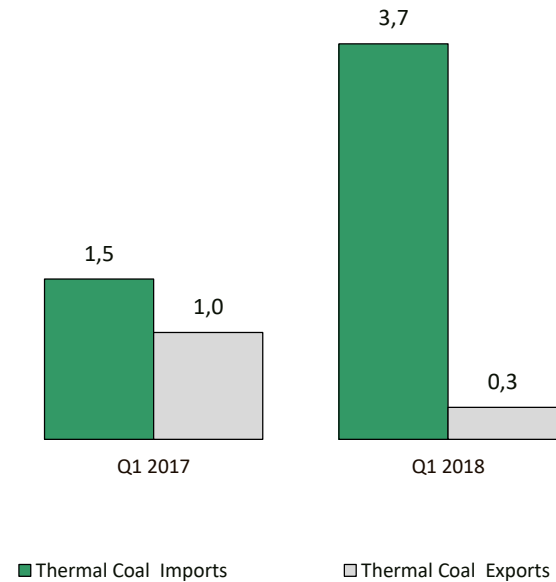


Drop in extraction, sales and stocks of thermal coal in Polish mines with significant increase in import

Thermal coal production, domestic sales and inventories [million tonnes]*



Thermal coal imports and exports [million tonnes]*

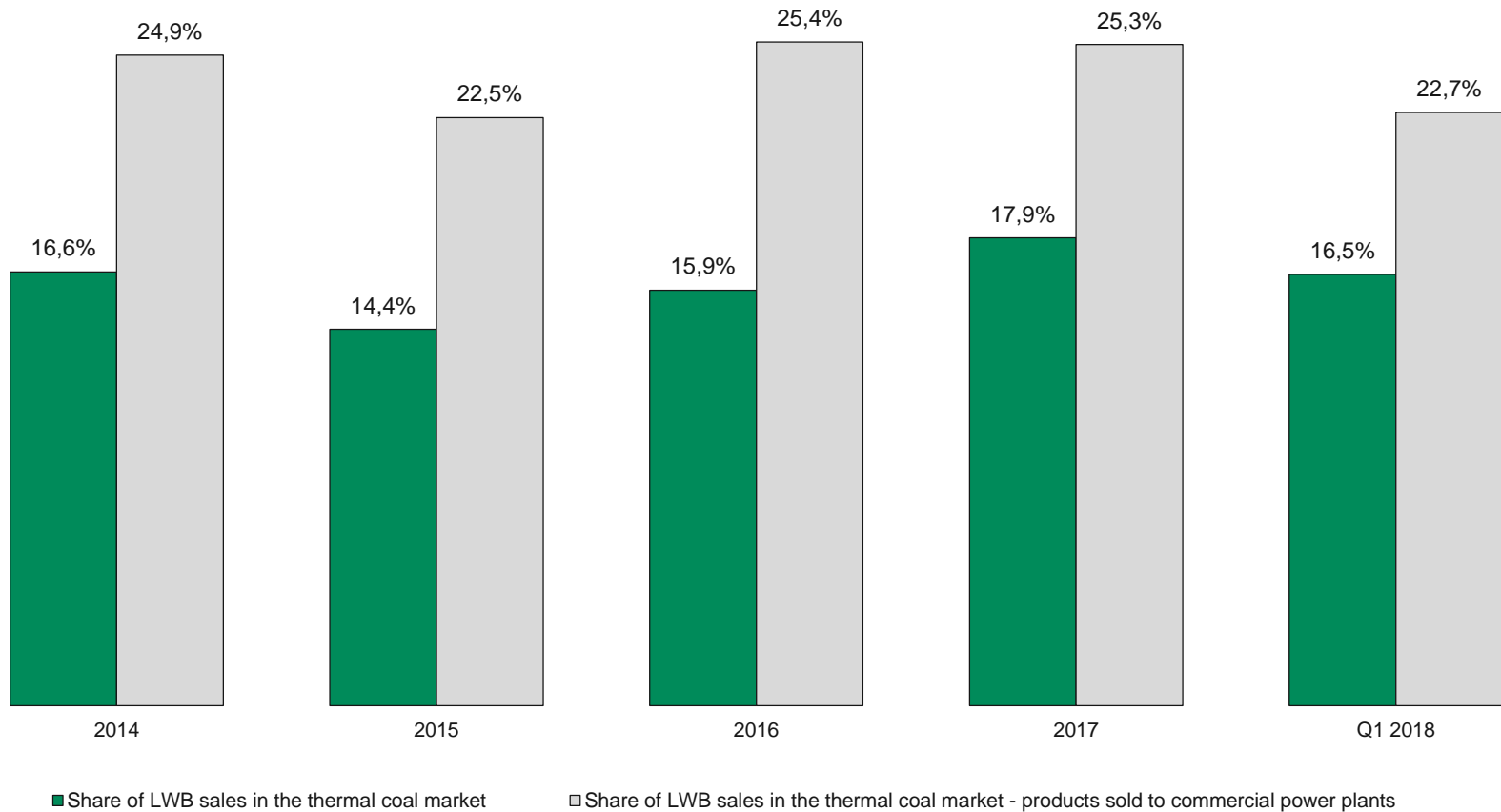


*data do not include Silesia, Siltech, Ekoplus

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



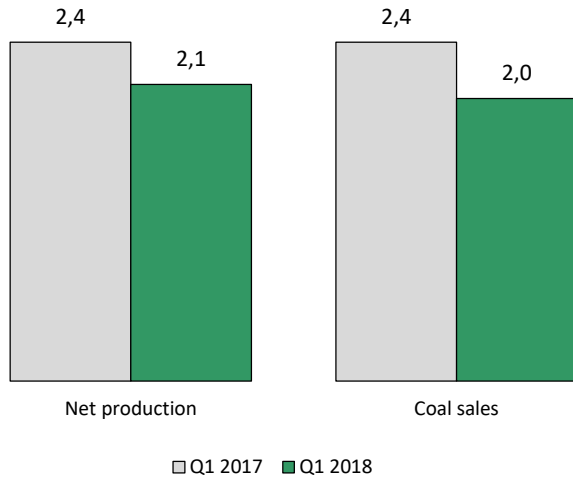
We keep a strong position on the coal market – 22.7% of share in sales to commercial power plants





Drop in production and sales in Q1 2018 due to geological and hydrogeological factors, the increase of new workings

	Q1 2017	Q1 2018	Change
Gross production ('000 tonnes)	3,630	3,692	1.7%
Net production ('000 tonnes)	2,422	2,095	-13.5%
New workings (by length) (km)*	8.1	9.0	11.1%
Coal sales ('000 tonnes)	2,389	1,967	-17.7%

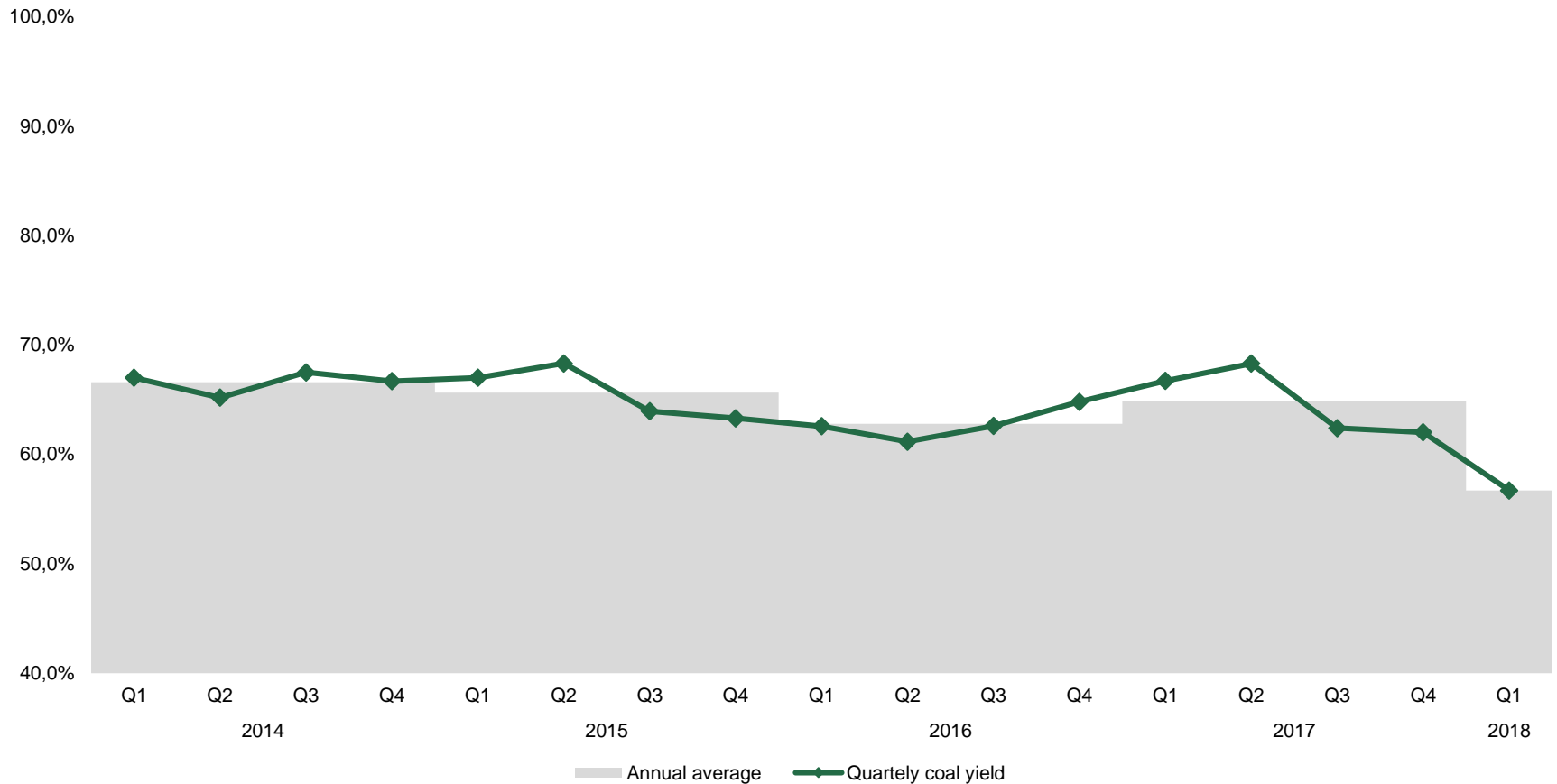


- ✓ more new workings in pursuance of the flexible development scenario (Strategy)
- ✓ production in Q1 2018 was conducted on 77 days, compared to 76 days in the same period 2017 – increase 1.3%

*Length of excavations made includes reconstruction works



Coal yield at a level of 56.7% in Q1 2018



- ✓ coal yield in Q1 2018 was about 56.7% and was lower than in Q1 2017 (66.7%), and lower than in Q4 2017 (64.7%), caused with difficult mining and geological conditions
- ✓ in Q1 2018 64.9% of raw coal was obtained from plough walls and 35.1% shearer walls (end of exploitation of one of the shearer walls). In the same period of 2017 this ratio was 65.4% to 34.6%



Situation on the coal market and key operating data

**Financial highlights of the LW Bogdanka Group
in Q1 2018**

Performance of the plan in Q1 2018

Appendices – Financial information



Operating and financial results under pressure of mining-geological and logistic difficulties



Operating and financial results in Q1 2018 under pressure of technical difficulties

Item	Unit	Q1 2017	Q1 2018	Change
Technical and operating data				
Gross production	tys. ton	3,630	3,692	1.7%
Net production	tys. ton	2,422	2,095	-13.5%
Coal yield	%	66.7%	56.7%	-10.0 p.p.
Coal sales	tys. ton	2,389	1,967	-17.7%
Inventories (end of period)	tys. ton	158	152	-3.8%
New workings (by length)*	km	8.1	9.0	11.1%
Financial data				
Revenue	PLN '000	465,166	398,697	-14.3%
EBITDA	PLN '000	179,820	127,476	-29.1%
EBITDA margin	%	38.7%	32.0%	-6.7 p.p.
EBIT	PLN'000	89,743	28,509	-68.2%
EBIT margin	%	19.3%	7.2%	-12.1 p.p.
Net profit	PLN'000	68,179	23,169	-66.0%
Net debt/EBITDA**	-	0.002	-0.09	-

*Length of new working includes reconstruction works

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

Source: In-house data



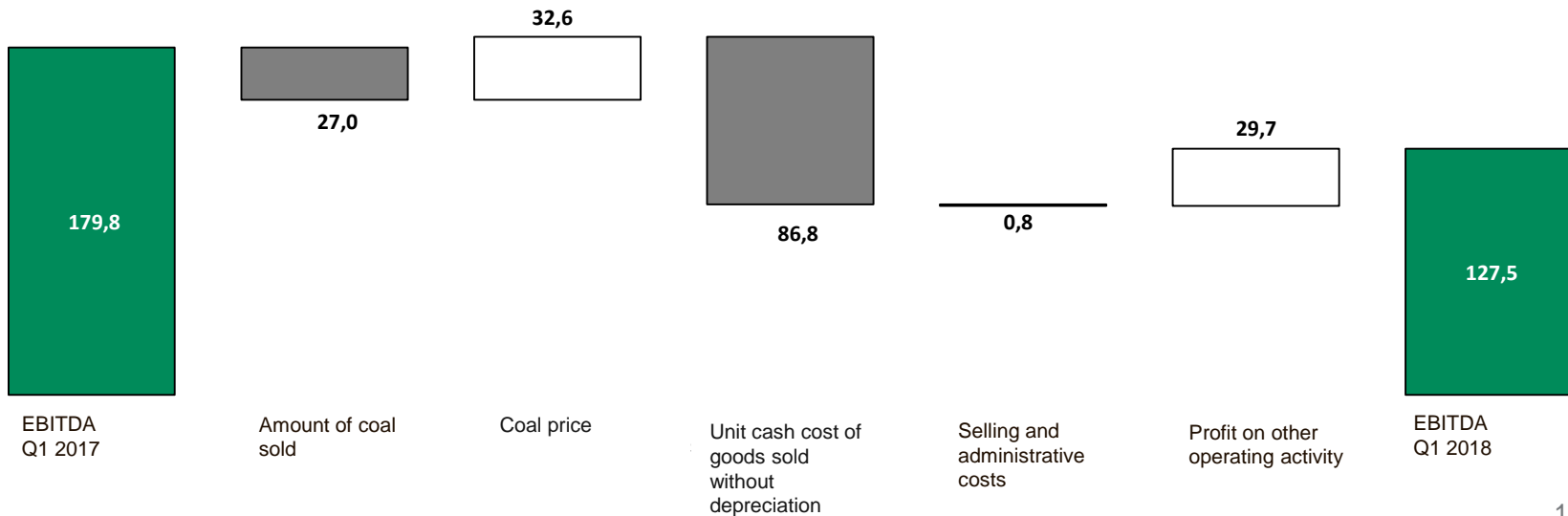
Drop in EBITDA in Q1 2018 compared to Q1 2017

[PLN million]	Q1 2017	Q1 2018	Change
EBITDA The LW Bogdanka Group	179.8	127.5	-29.1%

Q1 2018

- ✓ drop in EBITDA by PLN 52.3 million (-29.1%)
- ✓ decrease in revenue on sales of coal: quantitative sales lower by 17.7 % (-422,000 tonnes), with a higher price for a GJ
- ✓ increase in unit cost of products, goods and materials sold net of depreciation – increase in nominal costs:
- ✓ higher costs of external services – including primarily work performed on Saturdays and Sundays,
- ✓ higher costs of materials – higher gross extraction, difficulties of geological and hydrogeological nature – necessity to protect walls and secure continuity of extraction,
- ✓ increase in salaries (increase in salaries paid out to be settled on a pro rata basis in monthly costs through accruals; an increase in average employment)
- ✓ higher result on other operations: primarily the settlement between LW Bogdanka S.A. and the consortium of Mostostal Warszawa S.A. and Acciona Infraestructuras – a positive impact on EBITDA: PLN 28,700,000.

Factors affecting EBITDA [PLN million]



**The result was influenced by lower mining and sales**

Item [PLN '000]	Q1 2017	Q1 2018	Change
Revenue	465,166	398,697	-14.3%
Costs of products, goods and materials sold, selling and administrative expenses	375,836	400,160	6.5%
Profit on sales	89,330	-1,463	-
Gross sales margin	19.2%	-0.4%	-19.6 p.p.
Other income	1,228	31,172	2,438.4%
Other costs	55	429	680.0%
Net operating profit	90,503	29,280	-67.6%
Other net losses	-760	-771	1.4%
Operating profit (EBIT)	89,743	28,509	-68.2%
EBIT margin	19.3%	7.2%	-12.1 p.p.
EBITDA	179,820	127,476	-29.1%
EBITDA margin	38.7%	32.0%	-6.7 p.p.
Finance income	2,519	4,780	89.8%
Finance costs	7,400	4,760	-35.7%
Profit before taxation	84,862	28,529	-66.4%
Pre-tax profit margin	18.2%	7.2%	-11.0 p.p.
Income tax	16,683	5,360	-67.9%
Net profit for the financial year	68,179	23,169	-66.0%
Net sales margin	14.7%	5.8%	-8.9 p.p.



In Q1 2018 increase in gross production by 1.7% and in new workings by 11.1% with higher own cost of production of LW Bogdanka S.A. 6.1%

Item [PLN '000]	Q1 2017	Q1 2018	Change
Net production ['000 tonnes]	2,422	2,095	-13.5%
Coal sales ['000 tonnes]	2,389	1,967	-17.7%
Depreciation and amortization	87,959	96,748	10.0%
Materials and energy	112,660	139,290	23.6%
External services	101,136	114,781	13.5%
Employee cost and benefits	115,973	145,351	25.3%
Entertainment and advertising	2,240	2,269	1.3%
Taxes and charges	11,341	10,909	-3.8%
Other expenses	829	896	8.1%
Cost by nature	432,138	510,244	18.1%
Cost of activities for the Company's own needs	-58,223	-61,589	5.8%
Accruals and deferrals	13,987	-5,136	-
Value of coal obtained from excavations	-20,406	-28,607	40.2%
Provisions and other presentation adjustments between costs by type and by function	11,696	3,848	-67.1%
Total production costs	379,192	418,760	10.4%
Change in product inventories	-2,702	-20,765	668.5%
Value of goods and materials sold	2,364	4,003	69.3%
Own cost of production sold, including:	378,854	401,998	6.1%
Costs of products, goods and materials sold	341,381	364,329	6.7%
Selling costs	13,558	10,578	-22.0%
Administrative costs	23,915	27,091	13.3%



In Q1 2018 increase in gross production by 1.7% and in new workings by 11.1% with higher own cost of production of LW Bogdanka S.A. 6.1%

Net extraction – decrease by 13.5%, i.e. by 327,000 tonnes

New galleries– increase by 11.1% (9.0 km in Q1 2018 vs. 8.1 km Q1 2017)

Total costs by type for Q1 2018 – PLN 510.2 million – increase in relation to Q1 2017 by 18.1%, i.e. by PLN 78.1 million

Cash costs (net of depreciation/amortisation) – increase by 20.1%, i.e. by approx. PLN 69.3 million

Entertainment and advertising costs (+1.3% y/y):

- ✓ change in the payments schedule with respect to sponsoring of sport activities

Taxes and charges (-3.8% y/y):

- ✓ drop in value of the service charge

Other costs (8.1% y/y):

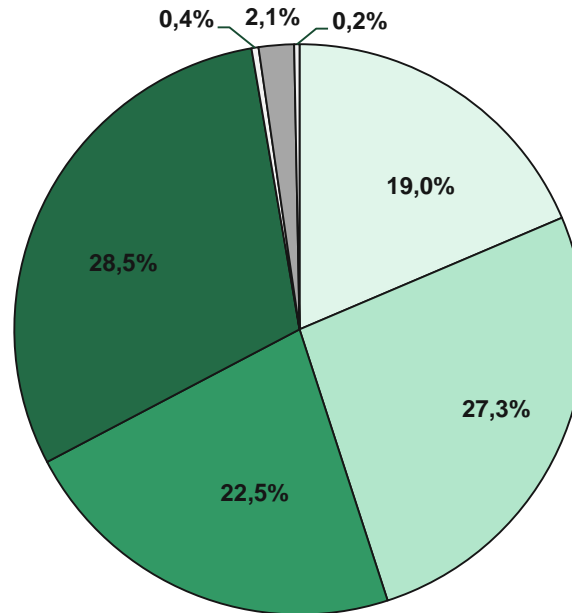
- ✓ slightly higher costs of business travels

Employee benefits (+25.3% y/y):

- ✓ higher salaries and other employee benefits (increase in salaries along with an additional bonus paid in Q1 2018 (influence on EBIT is disclosed proportionately to the period through accruals))
- ✓ in Q1 2018 two installments of a write-off to the Company Social Benefits Fund were recorded, i.e. in the amount of PLN 7,288,000 and an additional one of PLN 6,500,000, while in Q1 2017 only one – mandatory – write-off was made in the amount of PLN 7,158,000 (with the additional one of PLN 6,500,000 recognised in Q2 2017)

External services (+13.5 y/y):

- ✓ higher costs of repairs of mining machines and devices
- ✓ higher amount of work on Saturdays, Sundays and holidays
- ✓ higher level of services related to the managing of mining waste



Depreciation/Amortisation (+10.0% y/y):

- ✓ in relation to the reversal, as at the end of 2017, of impairment loss of LW Bogdanka S.A.'s assets, the value of non-current assets (being the basis of depreciation and amortisation) increased and so did the value of monthly depreciation/amortisation write-off

Materials and energy used (+23.6% y/y):

- ✓ value of materials used increased due to larger extent of preparatory works performed (9.0 km in Q1 2018 vs. 8.1 km in Q1 2017, up by 11.1%)
- ✓ increase in prices of steel from the second half of 2017

**Provisions at the LW Bogdanka Group**

Item [PLN '000]	31.12.2017	31.03.2018	Change
Employee provisions	157,021	157,853	0.5%
Liabilities under local property tax	42,353	44,662	5.5%
Mine decommissioning and land reclamation provision	114,448	116,085	1.4%
Mining damage	4,434	4,346	-2.0%
Accident insurance premium (ZUS)	21,340	21,669	1.5%
Other	17,643	18,180	3.0%
TOTAL	357,239	362,795	1.6%

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

Item [PLN '000]	Change Q1 2017	Change Q1 2018	Change
Employee provisions	9,108	832	-90.9%
Liabilities under local property tax	2,767	2,309	-16.6%
Mine decommissioning and land reclamation provision	701	1,637	133.5%
Mining damage	-103	-88	-14.6%
Accident insurance premium (ZUS)	316	329	4.1%
Other	125	537	329.6%
TOTAL	12,914	5,556	-57.0%



Situation on the coal market and key operating data

Financial highlights of the LW Bogdanka Group in Q1 2018

Performance of the plan in Q1 2018

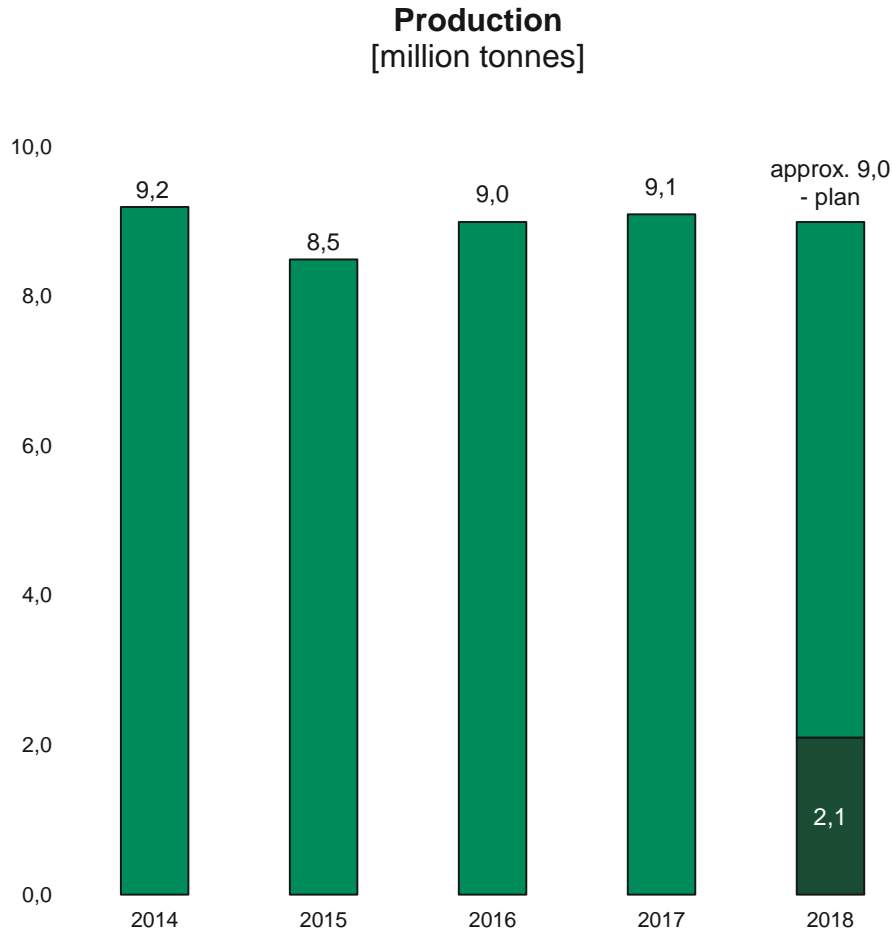
Appendices – Financial information



In Q1 2018 production at the level 2.1 milion tonnes



We completed production plan – 2.1 million tonnes in Q1 2018



- ✓ According to the adopted Strategy, the Company assumes production of approximately 9.0 million tonnes of coal in 2018
- ✓ In Q1 2018, the company produced almost 2.1 million tonnes of coal, and sales were at the level of almost 2.0 million tonnes



The use of CAPEX in Q1 2018 – almost PLN 85 milion

Item [PLN '000]	Plan for 2018	Realization of plan Q1 2018	Realization of plan Q1 2018 [%]
New excavations and upgrades of existing ones	291,365	78,383	26.9%
Maintenance of machinery	142,890	1,902	1.3%
Obtaining new licences	3,900	-	-
Ostrów Field	645	184	28.5%
Longwalls	40	-	-
Other development investments	28,021	3,245	11.6%
ICT	6,957	438	6.3%
Administration	60	11	18.3%
Transport	170	97	57.1%
Other	11,322	14	0.1%
TOTAL CAPEX in LW Bogdanka S.A.	485,370	84,274	17.4%
Łęczyńska Energetyka sp. z o.o.	9,500	263	2.8%
Other subsidiaries	1,142	319	27.9%
TOTAL CAPEX AT THE LW BOGDANKA GROUP	496,012	84,856	17.1%



Q1 2018 saw an increase in coal prices on international markets compared to Q1 2017 (+6.2%), and a decrease compared to Q4 2017 (by 8.5%). On the domestic market thermal coal prices increased compared to Q1 2017 (+15.5%).

In Q1 2018 the Company performed the production plan at a level close to 2.1 million tonnes and sales plan at a level of almost 2.0 million tonnes. The drop in production was caused by factors of geological and hydrogeological nature in the walls. The Company continues to distinguish itself in the industry with its good results thanks to a permanent cost control.

The Company retains a strong market position achieving, in Q1 2018, the share in the market of thermal coal sales of 16.5%, and the share in the market of thermal coal sales to commercial power plants of 22.7%.

The Company has filed with the Minister of the Environment an application for a mining licence for extraction of hard coal from the K-6 and K-7 deposits, located in Lublin, within the projected mining area "Cyców". It is directly adjacent to the "Puchaczów V" area, currently mined by Bogdanka.

On 28 February 2018 the Company entered into an agreement with trade unions regarding the level of remunerations in 2018. The parties have agreed that the rates of personal classification of employees will grow by 5%. Furthermore, as at the end of March a one-off incentive bonus was paid (in proportion to work time) in the gross amount of PLN 2,700 per person.

On 16 May 2018, the Management Board adopted a resolution on filing a motion to the Annual General Shareholders Meeting regarding distribution of the net profit generated by the Company in 2017 amounting to PLN 673.3 million, and to allocate it to the reserve capital in full amount. The funds are to secure the Company's cash standing and to serve as a basis for the planned investments in the Ostrów Field in the perspective after 2025.



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

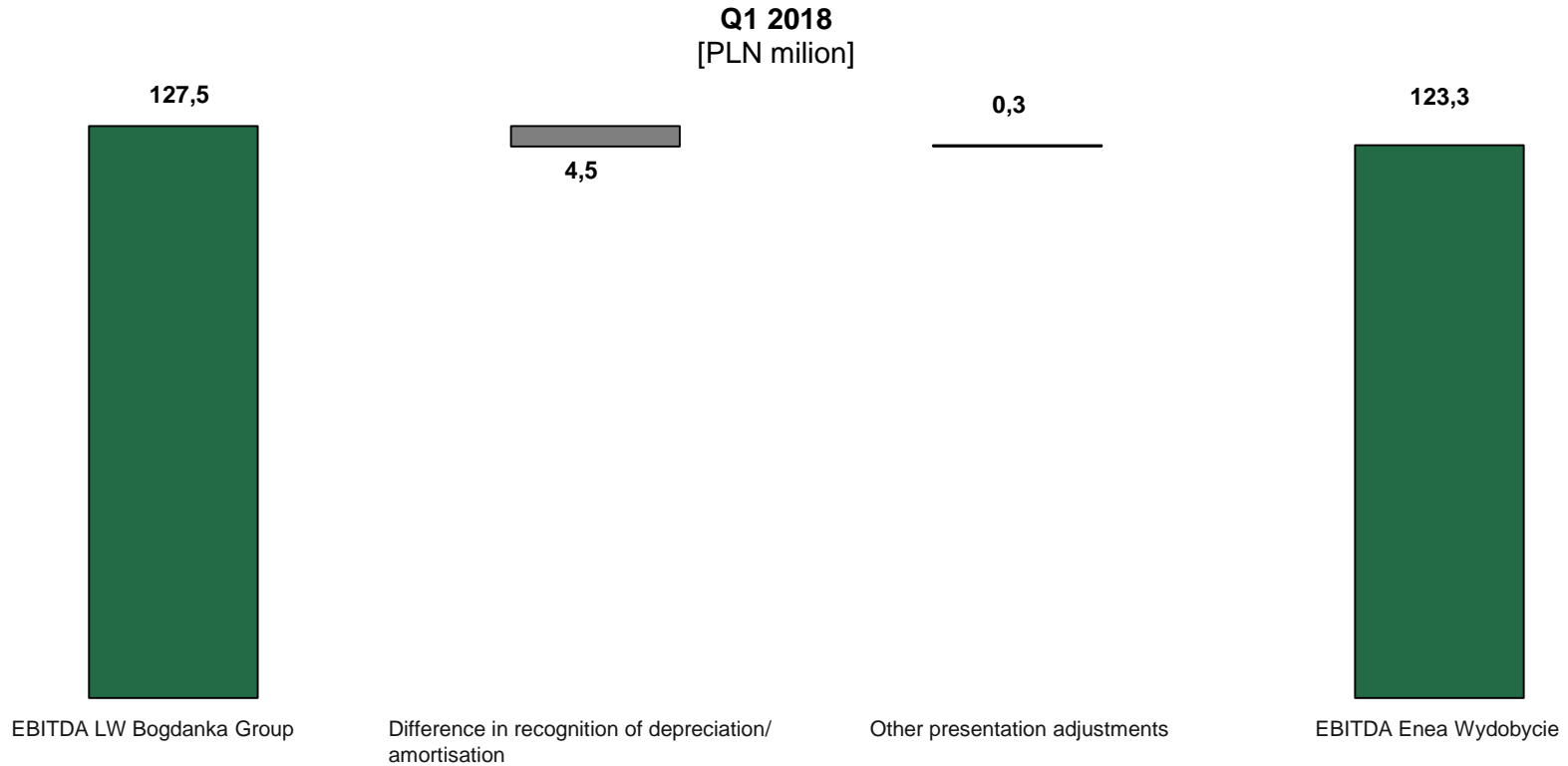
**Financial highlights of the LW Bogdanka Group
in Q1 2018**

Performance of the plan in Q1 2018

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 Q1 2017	Impact on financial result in Q1 2017	Change in provisions in Q1 2018	Impact on financial result in Q1 2018
Employee provisions	9,108	-16,746	832	-7,360
Liabilities under local property tax	2,767	-2,767	2,309	-2,309
Mine decommissioning and land reclamation provision	701	-1,324	1,637	-1,149
Mining damage	-103	-	-88	-
Accident insurance premium (ZUS)	316	-316	329	-329
Other	125	-125	537	- 582
TOTAL	12,914	-21,278	5,556	-11,729



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

Item [PLN '000]	Change in provisions in Q1 2018	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	832	6,353	1,007	-	-	-6,528
Liabilities under local property tax	2,309	1,610	699	-	-	-
Mine decommissioning and land reclamation provision	1,637	290	859	488	-	-
Mining damage	-88	-	-	-	-	-88
Accident insurance premium (ZUS)	329	-	329	-	-	-
Other	537	-97	679	-	-	-45
TOTAL	5,556	8,156	3,573	488	-	-6,661

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

Item [PLN '000]	31.12.2017	31.03.2018
Non-current assets, including:	3 428 805	3 410 969
Cash and cash equivalents	121 806	121 833
Current assets, including:	730 067	666 282
Cash and cash equivalents	434 928	301 296
Total assets	4 158 872	4 077 251
Current liabilities	744 910	635 241
Non-current liabilities	512 435	517 314
Total liabilities	1 257 345	1 152 555
Equity	2 901 527	2 924 696
Current borrowings	3 242	3 230



Item [PLN '000]	Q1 2017	Q1 2018
Net cash flows on operating activities	175,485	41,559
Cash inflow from operating activities	186,277	42,182
Interest received	948	(297)
Income tax paid	(11,740)	(326)
Net cash flows on investing activities	(91,706)	(98,258)
Acquisition of property, plant and equipment	(94,942)	(98,234)
Interest paid regarding investing activity	(781)	(2,744)
Acquisition of intangible assets	(237)	(13)
Inflow from the sale of property, plant and equipment	2,226	1,789
Interest received	2,054	971
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	(26)	(27)
Net cash flows on financing activities	(303,803)	(76,933)
Bond redemption	(300,000)	(75,000)
Repayments of loans and borrowings	(759)	(759)
Interest and commissions paid due to financing activities	(3,044)	(1,174)
Net decrease in cash and cash equivalents	(220,024)	(133,632)
Cash and cash equivalents at beginning of period	541,106	434,928
Cash and cash equivalents at end of period	321,082	301,296



Sales structure at LW Bogdanka Capital Group

Item [PLN '000]	Q1 2017	Share [%]	Q1 2018	Share [%]
Coal sales	448,829	96.5%	384,604	96.5%
Other activities	13,873	3.0%	10,093	2.5%
Sales of merchandise and materials	2,464	0.5%	4,000	1.0%
Total revenue	465,166	100.0%	398,697	100.0%



This presentation (the “Presentation”) has been prepared by LW Bogdanka S.A. (the “Company”). The information contained in the Presentation has been compiled and prepared with due care, based on facts and data taken from sources believed by the Company to be reliable, in particular based on the Company’s own research and estimates prepared on the basis of publicly available information, or Company data not constituting inside information within the meaning of Art. 154 of the Act on Trading in Financial Instruments. The Company shall not be held liable for anything resulting from the use of information contained in the Presentation.

No information contained in the Presentation shall be construed as a recommendation or as investment, legal or tax advice, nor is it an indication that any investment or strategy is suitable or addressed individually to any investor. The Company does not guarantee that the information contained herein is complete and does not accept any liability for the consequences of investment decisions made on the basis of the Presentation. Sole responsibility for such investment decisions and any resulting losses shall lie with the investor. Every investor making an investment decision in reliance on the Presentation is obliged to make its own assessment of the risks and benefits of the sale or acquisition of Company shares, based on all information made available by the Company in the Presentation as well as its current and periodic reports.

Some information in the Presentation is by its nature subject to risk and uncertainty, as it refers to events and depends on circumstances which will or may occur in the future. Such information is based on assumptions relating to the Company’s current and future strategies and the economic environment in which the Company will be operating in the future. Accordingly, actual performance may significantly differ from the plans, objectives and expectations stated in the Presentation. Further, the Company notes that some of the information may become outdated, and the Company does not undertake any obligation to update such information.

The Presentation is not an offer within the meaning of civil law, nor is it a public offering within the meaning of the Public Offering Act, nor is it a proposal, advertisement or invitation to purchase Company shares, and has been prepared for information purposes only.

Nothing in the Presentation shall be taken as a commitment to enter into any agreement or establish any legal relationship involving the Company.



Thank you for your attention



Enea

LUBELSKI WĘGIEL
„BOGDANKA”
SPÓŁKA AKCYJNA

Safety and stable development of the innovative raw materials and energy corporation