



# 2019

Presentation of results  
the LW Bogdanka Group  
Q1 2019



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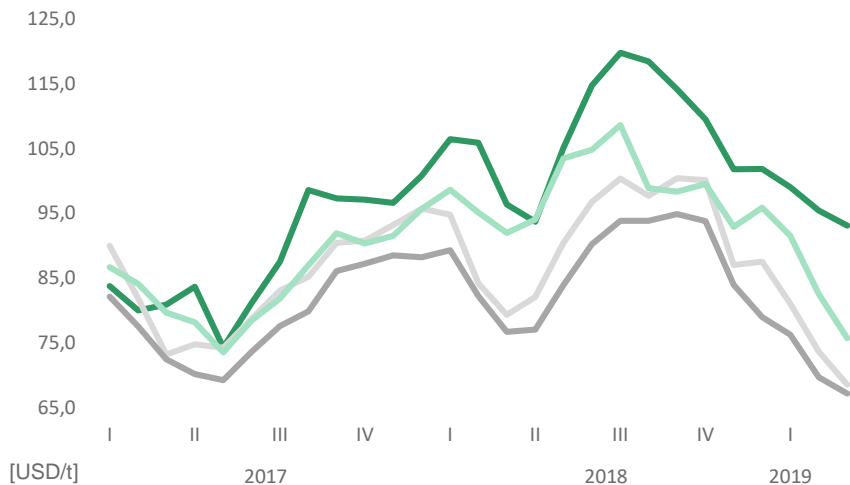


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Situation on the coal market and key operating data



## Decrease of coal prices on the global market in Q1 2019 vs. Q1 2018 by 13.6%



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

### CIF ARA coal prices:

- ✓ USD 74.4/tonne - the average coal price (CIF ARA) in Q1 2019, i.e. -13.6% (compared to USD 86.1/tonne in Q1 2018)
- ✓ comparing to the average coal price (CIF ARA) in Q4 2018, (USD 91.6/tonne), it's a decrease by 18.8%

### Inventories in ARA ports:

- ✓ 6.6 million tonnes of coal inventories at the end of March 2019 in the ARA ports – decrease by 0.1 million tonnes compared to December 2018 (6.7 million tonnes)

### FOB BP coal prices:

- ✓ The average coal price FOB Baltic Ports in Q1 2019 amounted to USD 71.0/tonne, i.e. -14.3% (USD 82.8/tonne) compared to Q1 2018
- ✓ comparing to the average coal price in Q4 2018, i.e. USD 85.6/tonne, it's a decrease by 17.1%



## Increase of coal production in China and Russia in Q1 2019



### 1. China:

- ✓ approx. 812.6 million tonnes of coal were produced in Q1 2019, +0.8% compared to Q1 2018 (806 million tonnes)
- ✓ imports in Q1 2019 were 74.6 million tonnes – a decrease by approx. 0.5% compared to Q1 2018 (75 million tonnes)

### 2. USA:

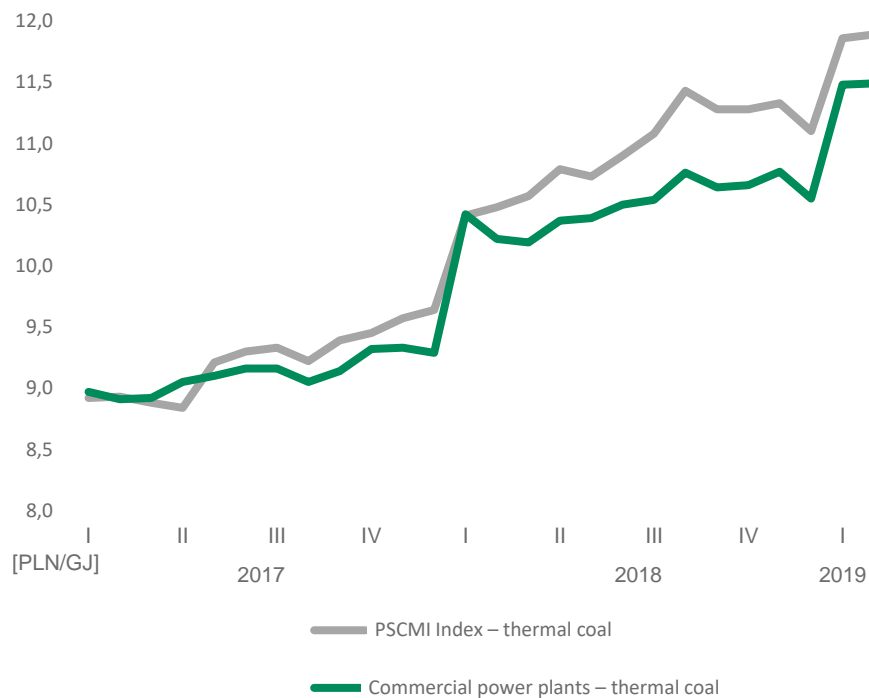
- ✓ production in Q1 2019 – 154.5 million tonnes,
- ✓ -10.7% compared to Q1 2018 (173 million tonnes)
- ✓ consumption in Q1 2019 – 142.3 million tonnes, -9.4% compared to Q1 2018 (157 million tonnes)
- ✓ exports in Q1 2019 – 21.4 million tonnes of hard coal, -9.7% y/y

### 3. Russia:

- ✓ production in Q1 2019 – 108 million tonnes, +0.9% y/y
- ✓ exports in Q1 2019 – 44.9 million tonnes, +1.1% y/y



## Rises of thermal coal prices sold to commercial power plants on the domestic market in Q1 2019 vs. Q1 2018 by 11.7%



### Thermal coal prices:

- ✓ in Q1 2019, the average annual price of fine thermal coal for commercial power plants was PLN 11.48 per GJ, the change dynamics was ca. 11.7% y/y
- ✓ comparing to Q4 2018 (PLN 10.66 per GJ) – an increase of 7.7% was recorded
- ✓ average heating value of fine coal for commercial power plants was about 21.6 GJ

### Prices based on the PSCMI index

- ✓ in Q1 2019 the average price based on the PSCMI index was approx. PLN 11.89 per GJ, which compared to average price in Q1 2018 (PLN 10.49 per GJ) represents an increase by approx. 13.4%
- ✓ comparing to Q4 2018 (PLN 11.24 per GJ) – an increase of approx. 5.8% was recorded



## Increase in extraction and decrease of sales of thermal coal market in Poland in Q1 2019 vs. Q1 2018

### PERFORMANCE OF POLISH COMPANIES\*\*:

	Q1 2018	Q1 2019	Change
Extraction of thermal coal in domestic coal market (million tonnes)	12.1	12.2	0.8%
Sales of thermal coal in domestic coal market (million tonnes)	11.8	11.5	-2.5%
Average cost of coal sold (PLN)	288.0	330.3	14.7%

### COAL PRICES:

Average price of power coal (PLN)	268.8	281.4	4.7%
Average price of coal sold to commercial power industry (PLN)	215.9	241.5	11.9%

### DEMAND/SUPPLY:

Production of electric power in commercial power plants with the use of hard coal (GWh)	21,839	20,568	-5.8%
Inventories of coal in mines (million tonnes)**	0.7	1.8	157.1%

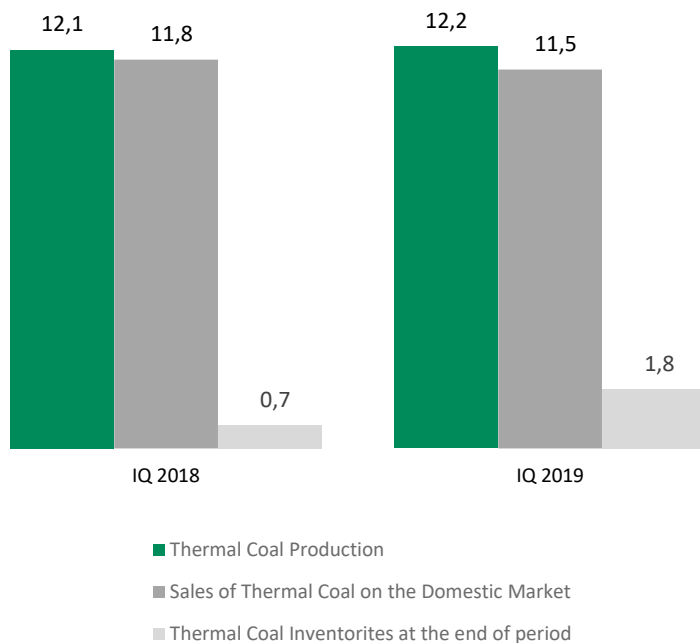
\*PSE SA

\*\*data do not include Silesia, Siltech, Ekoplus



## A slight increase in production, a drop in sales and an increase in inventories of thermal coal market in Poland in Q1 2019 vs. Q1 2018

Thermal coal production, domestic sales and inventories in Polish mines  
[million tonnes]\*



Thermal coal imports and exports  
[million tonnes]\*

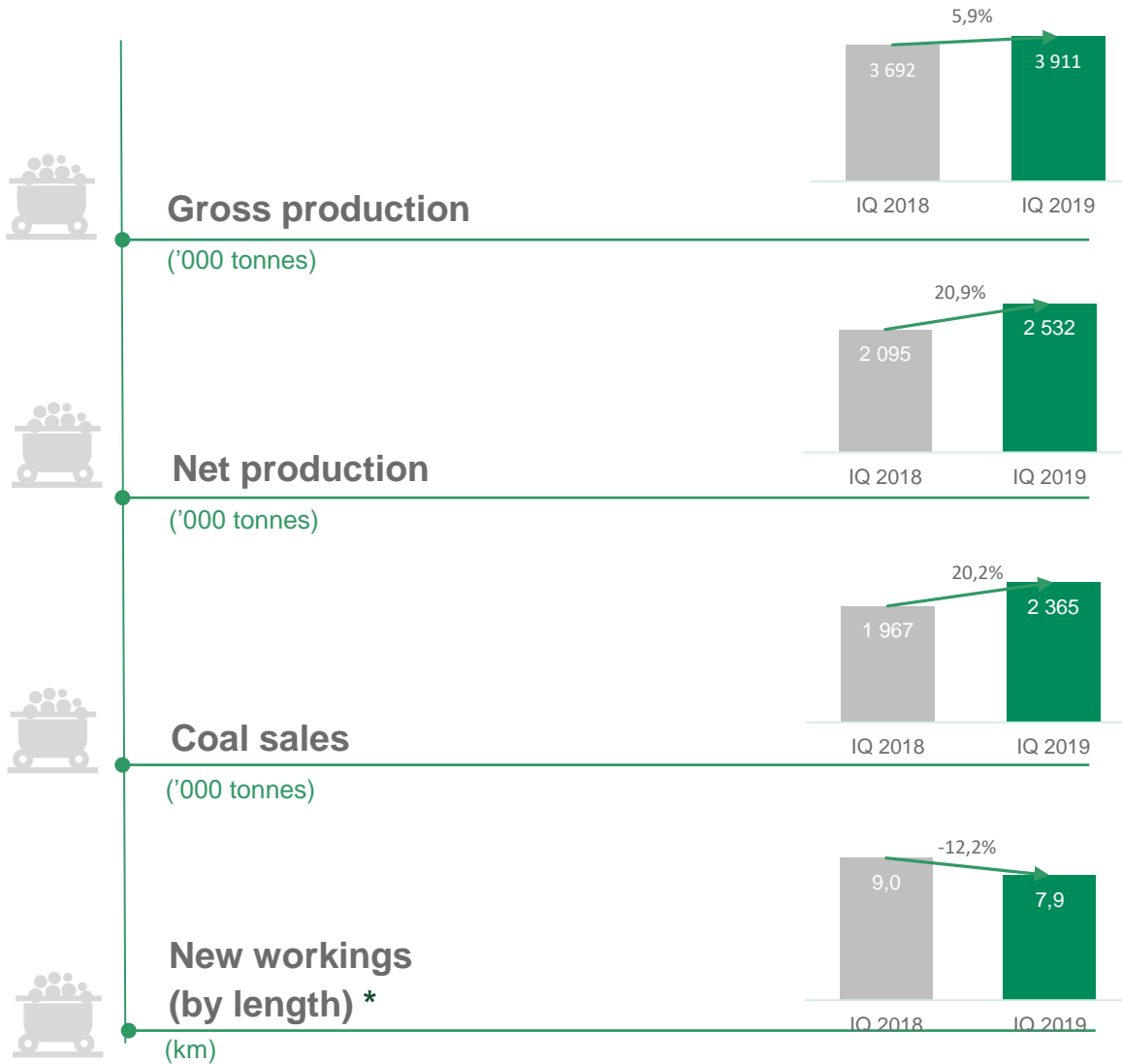


\*data do not include Silesia, Siltech, Ekoplus.





## GK LW Bogdanka – increase of gross production and coal sales in Q1 2019 compared Q1 2018

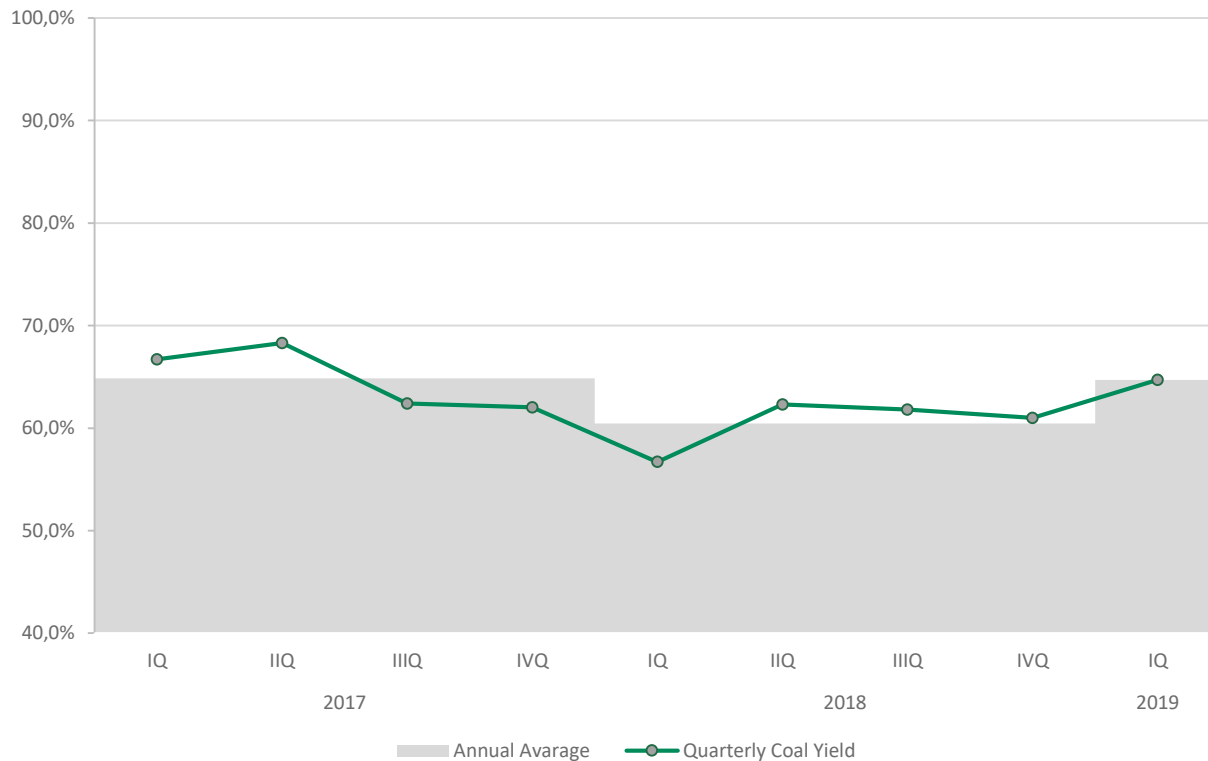


✓ production in Q1 2019 was conducted on 76 days, compared to 77 days in Q1 2018

\*Length of excavations made includes reconstruction works  
Source: In-house data



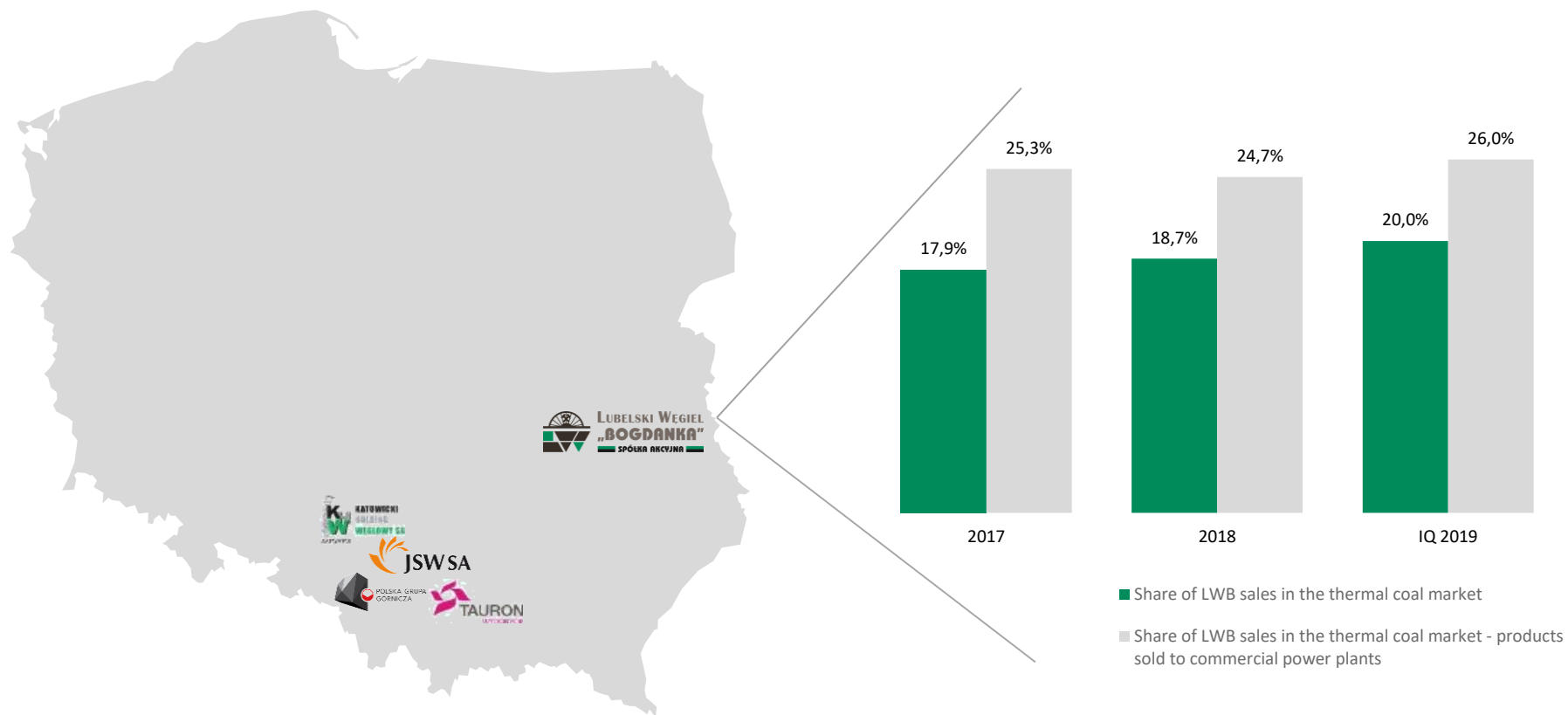
## Coal yield at a level of 64.7% in Q1 2019



- ✓ coal yield in Q1 2019 was about 64.7% and was higher than in Q1 2018 (56.7%) and higher than in Q4 2018 (61.0%)
- ✓ in Q1 2019 64.9% of raw coal was obtained from plough walls and 35.1% shearer walls. In the same period of 2018 this ratio was 35.1% compared to 64.9%.



We keep a strong position on the coal market – 26.0% of share in sales to commercial power plants





# 2

Financial highlights  
of the LW Bogdanka  
Group in Q1 2019



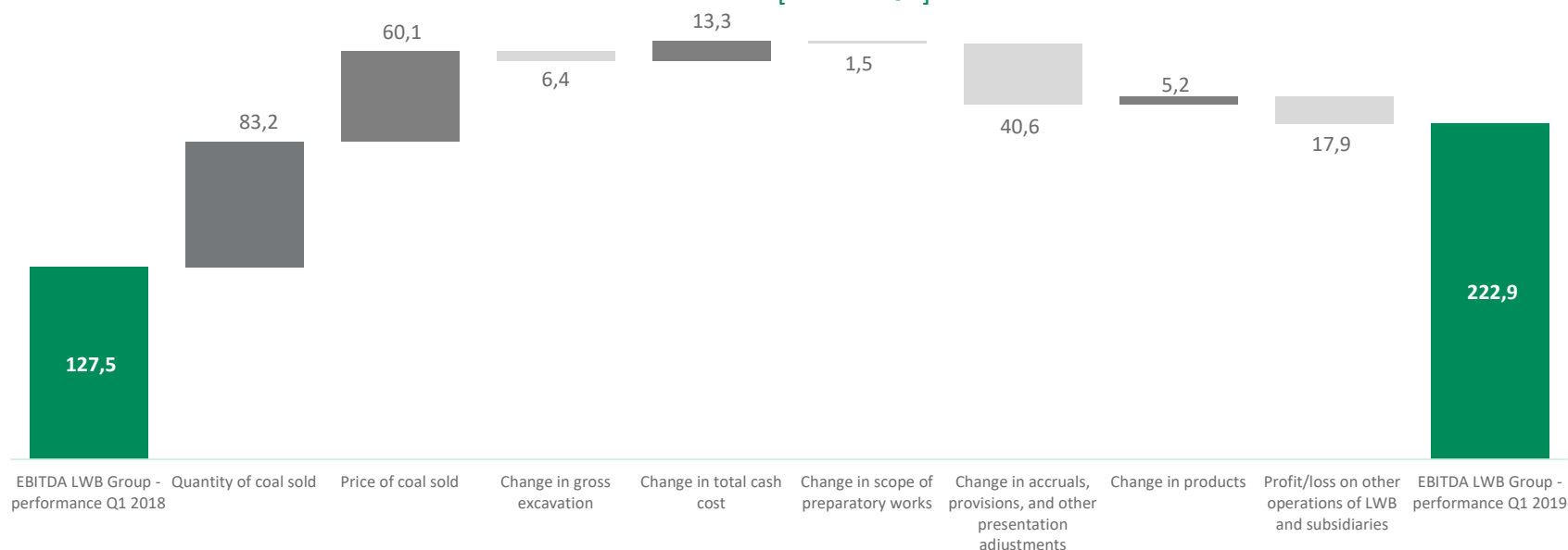
## Very good operating and financial results - increase in production and sales in Q1 2019 vs. Q1 2018

Item	Unit	Q1 2018	Q1 2019	Change
<b>Technical and operating data</b>				
Gross production	'000 tonnes	3,692	3,911	5.9%
Net production	'000 tonnes	2,095	2,532	20.9%
Coal yield	%	56.7%	64.7%	14.1%
Coal sales	'000 tonnes	1,967	2,365	20.2%
Inventories (end of period)	'000 tonnes	152	255	67.8%
New workings (by length)*	km	9.0	7.9	-12.2%
<b>Financial dat</b>				
Revenue	PLN' 000	398,697	540,787	35.6%
EBITDA	PLN' 000	127,476	222,860	74.8%
EBIT	PLN' 000	28,509	127,966	348.9%
Net profit	PLN' 000	23,169	109,969	374.6%



## Increase in EBITDA in Q1 2019 compared to Q1 2018

### Factors influencing EBITDA [PLN million]



### Q1 2018

Increase in EBITDA by PLN 95.4 million

(+) increase in revenue on sales of coal: quantitative sales higher +398,000 tonnes (+20.2%), with a higher price

(-) gross production higher by 219,000 tonnes (+5.9%) – increase in production cost by PLN 6.4 million

(+) drop in cash cost of production (net of depreciation): lower materials consumption costs, lower costs of remunerations (in Q1 2018: pay rise and payment of additional bonus with higher average employment by 217 people), lower employee benefits costs (lower mandatory contributions on remunerations and lower write-off to the Company Social Benefits Fund)

(-) provisions and other presentation adjustments: liquidation of excavation endings and a change in provisions for holidays (PLN 16.6 million); accruals (in 2018 settlement covered additional annual bonus, higher write-off to the Company Social Benefits Fund and higher costs of wall reinforcement; in 2019 higher estimated costs of Miners' Day (Barbórka) and the 14th salaries in relation to higher employment – in total PLN 23.6 million)

(-) higher result on other operations – in 2018: the settlement between LW Bogdanka S.A. and the consortium of Mostostal Warszawa S.A. and Acciona Infraestructuras (PLN 28.7 million); in 2019: release of provision for disputed claim of the Social Insurance Institution (ZUS) (PLN 16.4 million)



## The Group's result in Q1 2019 was influenced by: increased production and sales as well as higher prices

Item [PLN '000]	Q1 2018	Q1 2019	Change
Revenue	398,697	540,787	35.6%
Costs of products, goods and materials sold, selling and administrative expenses	400,160	429,944	7.4%
<b>Profit on sales</b>	<b>-1,463</b>	<b>110,843</b>	-
Gross sales margin	-0.4%	20.5%	20.9 p.p
Other income	31,172	1,315	-95.8%
Other costs	429	326	-24.0%
<b>Net operating profit</b>	<b>29,280</b>	<b>111,832</b>	<b>281.9%</b>
Other net losses	-771	16,134	-
<b>Operating profit (EBIT)</b>	<b>28,509</b>	<b>127,966</b>	<b>348.9%</b>
EBIT margin	7.2%	23.7%	16.5 p.p
<b>EBITDA</b>	<b>127,476</b>	<b>222,860</b>	<b>74.8%</b>
EBITDA margin	32.0%	41.2%	9.2 p.p
Finance income	4,780	7,133	49.2%
Finance costs	4,760	3,295	-30.8%
<b>Profit before taxation</b>	<b>28,529</b>	<b>131,804</b>	<b>362.0%</b>
Pre-tax profit margin	7.2%	24.4%	17.2 p.p
Income tax	5,360	21,835	307.4%
<b>Net profit for the financial year</b>	<b>23,169</b>	<b>109,969</b>	<b>374.6%</b>
Net sales margin	5.8%	20.3%	14.5 p.p



## In Q1 2019 increase in gross production by 5,9% with lower cost by nature of LW Bogdanka SA by 2,2%

Item [PLN '000]	Q1 2018	Q1 2019	Change
Net production ['000 tonnes]	2,095	2,532	20.9%
Coal sales ['000 tonnes]	1,967	2,365	20.2%
Depreciation and amortization	96,748	92,523	-4.4%
Materials and energy	139,290	128,109	-8.0%
External services	114,781	127,183	10.8%
Employee cost and benefits	145,351	135,832	-6.5%
Entertainment and advertising	2,269	2,149	-5.3%
Taxes and charges	10,909	12,246	12.3%
Other expenses	896	1,010	12.7%
<b>Cost by nature</b>	<b>510,244</b>	<b>499,052</b>	<b>-2.2%</b>
Cost of activities for the Company's own needs	-61,589	-60,073	-2.5%
Accruals and deferrals	-5,136	18,481	-459.8%
Value of coal obtained from excavations	-28,607	-25,500	-10.9%
Provisions and other presentation adjustments between costs by type and by function	3,848	20,970	445.0%
<b>Total production costs</b>	<b>418,760</b>	<b>452,930</b>	<b>8.2%</b>
Change in product inventories	-20,765	-25,983	25.1%
Value of goods and materials sold	4,003	5,698	42.3%
<b>Own cost of production sold, including:</b>	<b>401,998</b>	<b>432,645</b>	<b>7.6%</b>
Costs of products, goods and materials sold	364,329	397,992	9.2%
Selling costs	10,578	9,136	-13.6%
Administrative costs	27,091	25,517	-5.8%





## In Q1 2019 increase in extraction by 5.9% with lower costs by type of LW Bogdanka S.A. by 2.2%

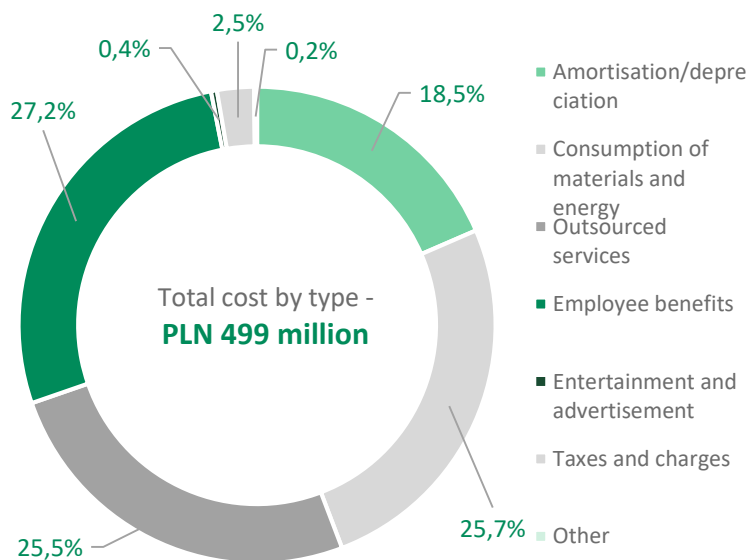
**Gross extraction** – increase by 5.9%, i.e. by 219,000 tonnes

**Net extraction** – increase by 20.9%, i.e. by 437,000 tonnes

**New excavations** – decrease by 12.2% (7,9 km in Q1 2019 compared to 9,0 km in Q1 2018)

**Total costs by type** – PLN 499 million in Q1 2019, decrease compared to Q1 2018 by 2.2%, i.e. by PLN 11 million

**Cash costs (net of depreciation / amortisation)** - decrease by 1.7%, i.e. by PLN 7 million



### Taxes and charges (+12.3% y/y)

- ✓ increase in real property tax
- ✓ increase in payments to the National Fund for the Disabled
- ✓ higher value of a payment for extracting a deposit

### Other costs (+12.7% y/y)

- ✓ higher costs of property insurance and third-party liability for the Management Board (different schedule of premium payments)

### Depreciation / Amortisation (-4.4% y/y):

- ✓ lower value of natural depreciation / amortisation (the total progress of walls was the same and the share of walls with longwall galleries of lower value increased)

### Materials and energy consumption (-8.0% y/y):

- ✓ smaller scope of preparatory works (7.9 km in Q1 2019 compared to 9.0 km in Q1 2018)

### Entertainment and advertising costs (-5.3% r/r)

- ✓ lower costs are a result of shifting schedules of payments under sponsorship agreements

### Employee benefits (-6.5% y/y):

- ✓ average employment in Q1 2019 - 4,774, i.e. +217 people compared to Q1 2018
- ✓ IQ 2019 - lower write-off to the Company Social Benefits Fund in relation to the planned launch of the employee retirements plan (PPE) at the Parent
- ✓ in 2018 an additional incentive bonus was paid to the employees

### Outsourced services (+10.8 y/y):

- ✓ higher costs of services related to drilling and reconstructions (increases in rates)
- ✓ higher costs of work performed on Saturdays and Sundays, auxiliary works
- ✓ higher costs of repairs and maintenance of mining machinery and equipment
- ✓ increase in reclamation costs

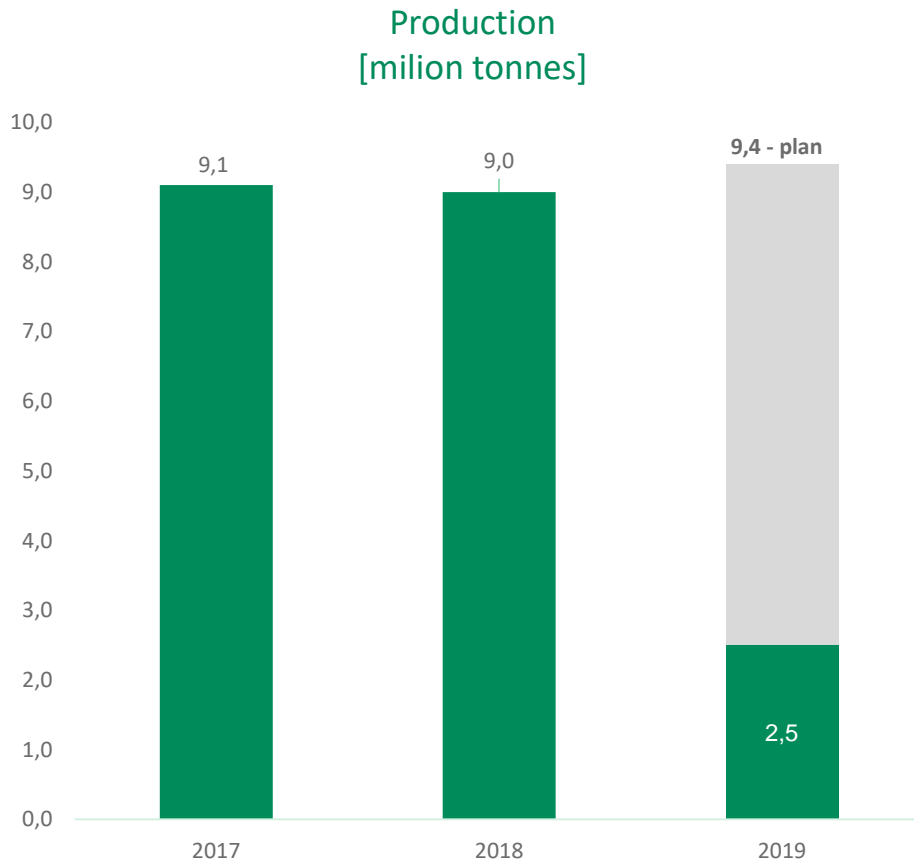


# 3

Performance of the  
plan in Q1 2019



## Production in Q1 2019 – 2.5 million tonnes

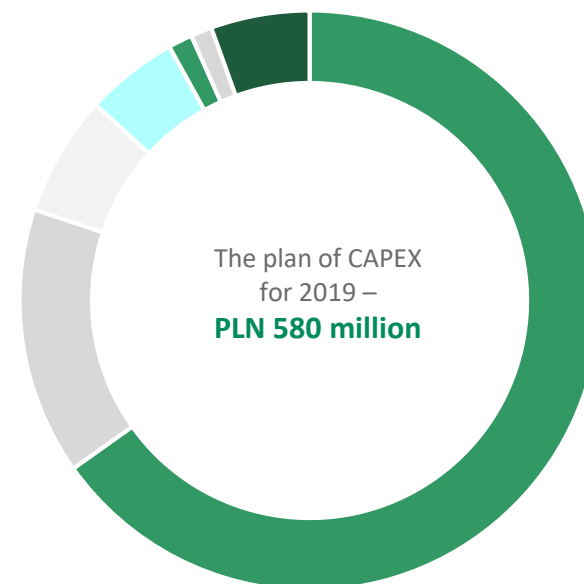


- ✓ Production plan for 2019–9,4 million tonnes
- ✓ In Q1 LW Bogdanka SA produced over 2.5 million tonnes of coal, and sales were at the level of almost 2.4 million tonnes



## The use of CAPEX in Q1 2019 – in accordance with the Strategy is over PLN 80 million

Item [PLN '000]	Plan for 2019	Realization of plan Q1 2019	Realization of plan Q1 2019 [%]
New excavations and upgrades of existing ones	378,273	62,439	16.5%
Maintenance of machinery	86,608	9,744	11.3%
Obtaining new licences	6,850	-	-
Ostrów Field	7,805	569	7.3%
Longwalls	30,000	-	-
Other development investments	39,006	5,493	14.1%
ICT	7,568	526	7.0%
Administration	20	-	-
Transport	2,186	-	-
Other	7,870	607	7.7%
<b>TOTAL CAPEX in LW Bogdanka SA</b>	<b>566,186</b>	<b>79,378</b>	<b>14.0%</b>
Łęczynska Energetyka sp. z o.o.	13,000	347	2.7%
Other subsidiaries	1,312	279	21.3%
<b>TOTAL CAPEX AT THE LW BOGDANKA GROUP</b>	<b>580,498</b>	<b>80,004</b>	<b>13.8%</b>



- New excavations and upgrades of existing ones
- Maintenance of machinery
- Other development investments
- Longwalls
- Ostrów Field
- Obtaining new licences
- Other



- Q1 2019 saw a decrease in coal prices on the international market (**-13.6%** compared to Q1 2018), while on the domestic market coal prices went up (**+11.7%** compared to Q1 2018).
- In Q1 2019 the Company performed its production plan at a level of more than **2.5 million tonnes** and sales plan at a level of **2.4 million tonnes**. In total 7.9 km of galleries was made (-12.2% compared to Q1 2018)
- The Company strengthened its market position achieving, in Q1 2019, the share in the market of thermal coal sales of **20.0%**, and the share in the market of thermal coal sales to commercial power plants of **26.0%**.
- We achieved very good financial results in Q1 2019 as a result of an increase in production and sales at a higher price – we recorded an increase in revenue by **35.6%** (compared to Q1 2018), EBITDA was **PLN 222.9 million**, operating profit **PLN 128.0 million**, and net profit PLN **110.0 million**
- The Management Board recommends payment of dividend at a level of PLN **0.75 per share**



Thank you

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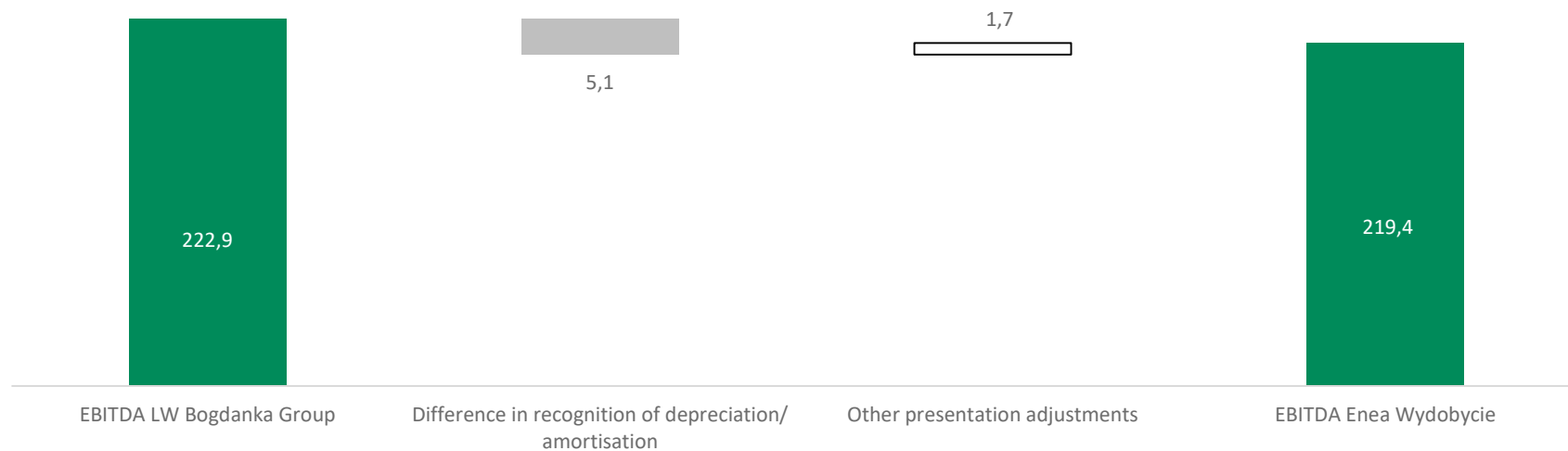
# 4

Appendices –  
Financial information



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

Q1 2019 [PLN million]







## Statement of Financial Position of LW Bogdanka Capital Group

Item [PLN '000]	31.12.2018	31.03.2019
Non-current assets, including:	3,463,822	3,459,077
Cash and cash equivalents	128,279	128,280
Current assets, including:	469,529	545,828
Cash and cash equivalents	170,793	171,152
<b>Total assets</b>	<b>3,933,351</b>	<b>4,004,905</b>
Current liabilities	446,803	393,898
Non-current liabilities	536,432	550,922
<b>Total liabilities</b>	<b>983,235</b>	<b>944,820</b>
<b>Equity</b>	<b>2,950,116</b>	<b>3,060,085</b>
Current borrowings	3,212	3,200



## Cash flow GK LW Bogdanka

Item [PLN '000]	Q1 2018	Q1 2019
<b>Net cash flows on operating activities</b>	<b>41,559</b>	<b>150,260</b>
Cash inflow from operating activities	42,182	169,242
Interest received/paid	(297)	311
Income tax paid	(326)	(19,293)
<b>Net cash flows on investing activities</b>	<b>(98,258)</b>	<b>(147,673)</b>
Acquisition of property, plant and equipment	(98,234)	(146,126)
Interest paid regarding investing activity	(2,744)	-
Acquisition of intangible assets	(13)	(1,914)
Inflow from the sale of property, plant and equipment	1,789	1
Interest received	971	368
Expenditure on other current investments	-	(68)
Proceeds from current investments	-	67
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	(27)	(1)
<b>Net cash flows on financing activities</b>	<b>(76,933)</b>	<b>(2,228)</b>
Bond redemption	(75,000)	-
Repayments of loans and borrowings	(759)	(759)
Lease payments	-	(1,222)
Interest and commissions paid due to financing activities	(1,174)	(247)
<b>Net increase/decrease in cash and cash equivalents</b>	<b>(133,632)</b>	<b>359</b>
Cash and cash equivalents at beginning of period	434,928	170,793
<b>Cash and cash equivalents at end of period</b>	<b>301,296</b>	<b>171,152</b>



## Sales structure at LW Bogdanka Capital Group

Item [PLN '000]	Q1 2018	Share [%]	Q1 2019	Share [%]
Coal sales	385,798	96.8%	526,277	97.3%
Other activities	8,887	2.2%	8,777	1.6%
Sales of merchandise and materials	4,012	1.0%	5,733	1.1%
<b>Total revenue</b>	<b>398,697</b>	<b>100.0%</b>	<b>540,787</b>	<b>100.0%</b>



## Provisions at the LW Bogdanka SA

### Balance-sheet provisions

[PLN '000]	Q1 2018	2018	Q1 2019	Change Q1 2019/ 2018	Change Q1 2019/ Q1 2018
Employee provisions	157,853	165,156	174,489	5.7%	10.5%
Liabilities under local property tax	44,662	41,431	43,723	5.5%	-2.1%
Mine decommissioning and land reclamation provision	116,085	124,207	124,817	0.5%	7.5%
Mining damage	4,346	3,184	3,128	-1.8%	-28.0%
Accident insurance premium (ZUS)	21,669	22,658	-	-	-
Other	18,180	11,883	11,968	0.7%	-34.2%
<b>Total</b>	<b>362,795</b>	<b>368,519</b>	<b>358,125</b>	<b>-2.8%</b>	<b>-1.3%</b>

The total provisions as at 31 March 2019 amounted to PLN 358,125,000, which means a decrease by 2,8% compared to the value as at 31 December 2018

### Change in provisions

PLN '000]	Change Q1 2018	Change Q1 2019	Change Q1 2019/ Q1 2018
Employee provisions	832	9,333	1,021.8%
Liabilities under local property tax	2,309	2,292	-0.7%
Mine decommissioning and land reclamation provision	1,637	610	-62.7%
Mining damage	-88	-56	-36.4%
Accident insurance premium (ZUS)	329	-22,658	-
Other	537	85	-84.2%
<b>Total</b>	<b>5,556</b>	<b>-10,394</b>	<b>-287.1%</b>



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Thank you for your  
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