



2019

Presentation of results
the LW Bogdanka Group
Q2 2019, 1H 2019



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Situation on the coal market and key operating data



Decrease of coal prices on the global market



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

CIF ARA coal prices:

- ✓ USD 54.5/tonne - the average coal price (CIF ARA) in Q2 2019, i.e. -39.3% (compared to USD 89.8/tonne in Q2 2018)
- ✓ compared to the average coal price (CIF ARA) in Q1 2019 (USD 74.4/tonne) - i.e. decrease by 26.7%

Inventories in ARA ports:

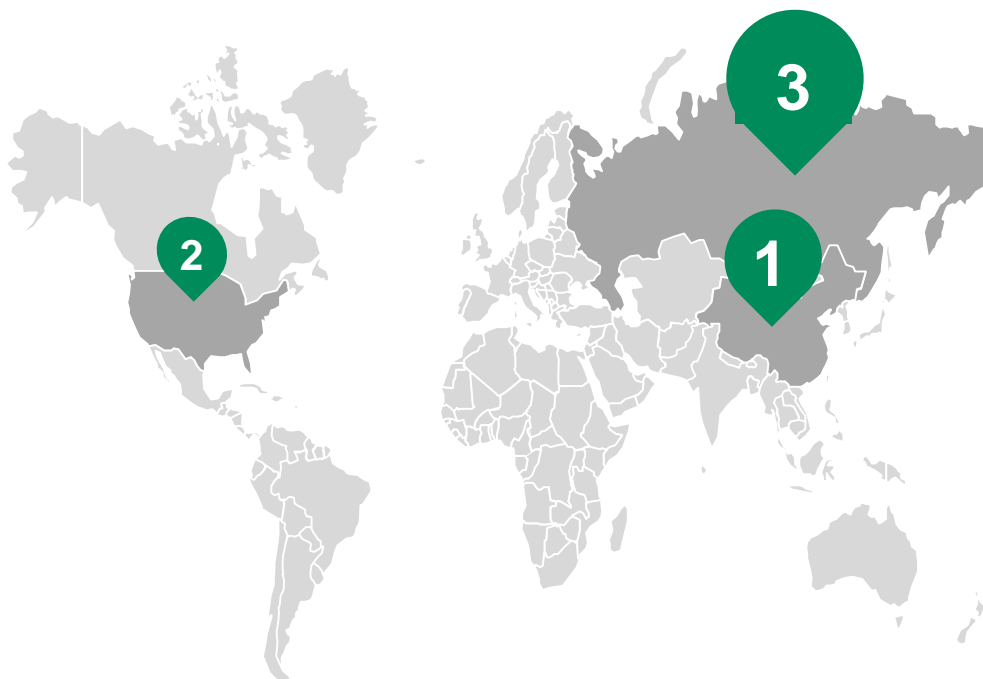
- ✓ 7.2 million tonnes of coal inventories at the end of June 2019 in the ARA ports – increase by 0.6 million tonnes compared to March 2019 (6.6 million tonnes)

FOB BP coal prices:

- ✓ The average coal price FOB Baltic Ports in Q2 2019 amounted to USD 51.1/tonne, i.e. -38.9% (USD 79.2/tonne) compared to 2018
- ✓ Compared to the average coal price in Q1 2017 - 71.0/tonne – represents a decrease by 28.0% .



Increase of coal production in China and Russia in 1H 2019



1. China:

- ✓ approx. 1.8 billion tonnes of coal were produced in 1H 2019, +5.9% compared to 1H 2018 (1.7 billion tonnes)
- ✓ imports in 1H 2019 were 154.5 million tonnes and were higher by approx. 5.8% compared to 1H 2018 (146.0 million tonnes)

2. USA:

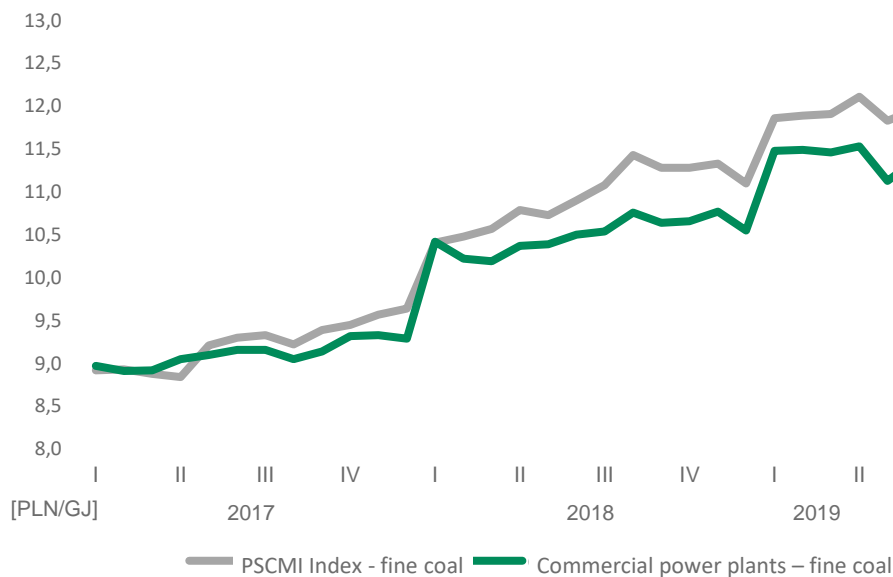
- ✓ production in 1H 2019 – 339.7 million tonnes, i.e. -0.2% compared to 1H 2018 (340.5 million tonnes)
- ✓ consumption in 1H 2019 – 259.8 million tonnes, i.e. -12.3% compared to 1H 2018 (296.3 million tonnes)
- ✓ exports in 1H 2019 – 45.2 million tonnes of hard coal, i.e. -14.2% y/y

3. Russia:

- ✓ production in 1H 2019 – 212 million tonnes, i.e. +1.2% y/y
- ✓ exports in 1H 2019 (93.8 million tonnes), +0.8% y/y



Rises of thermal coal prices sold to commercial power plants on the domestic market in Q2 2019 vs. Q2 2018 by 8.8%



Thermal coal prices

- ✓ in Q2 2019, the average annual price of fine thermal coal for commercial power plants was PLN 11.34 per GJ, the change dynamics was ca. 8.8% y/y
- ✓ comparing to Q1 2019 (PLN 11.48 per GJ) – a decrease of 1.2% was recorded
- ✓ average heating value of fine coal for commercial power plants was about 21.7 GJ

Thermal coal prices based on the PSCMI index

- ✓ in Q2 2019 the average price based on the PSCMI index was approx. PLN 11.97 per GJ, which compared to average price in Q2 2018 (PLN 10.81 per GJ) represents an increase by approx. 10.7%
- ✓ comparing to Q1 2019 (PLN 11.89 per GJ) – an increase of approx. 0.7% was recorded



Decrease in extraction and sales of thermal coal market in Poland in 1H 2019 compared to 1H 2018

PERFORMANCE OF POLISH COMPANIES*:

	Q2 2018	Q2 2019	Change	1H 2018	1H 2019	Change
Extraction of thermal coal in domestic coal market (million tonnes)	12.1	11.9	-1.7%	24.3	24.1	-0.8%
Sales of thermal coal in domestic coal market (million tonnes)	11.4	10.0	-12.3%	23.2	21.6	-6.9%
Average cost of coal sold (PLN)	317.9	351.4	10.5%	302.5	340.2	12.5%

COAL PRICES:

Average price of power coal (PLN)	271.6	282.6	4.1%	270.2	282.0	4.4%
Average price of coal sold to commercial power industry (PLN)	221.7	238.6	7.6%	218.8	240.2	9.8%

DEMAND/SUPPLY:

Production of electric power in commercial power plants with the use of hard coal (GWh)**	18,118	18,542	2.3%	39,957	39,110	-2.1%
Inventories of coal in mines (million tonnes)***	1.0	3.4	240.0%	1.0	3.4	240.0%

*PSE SA

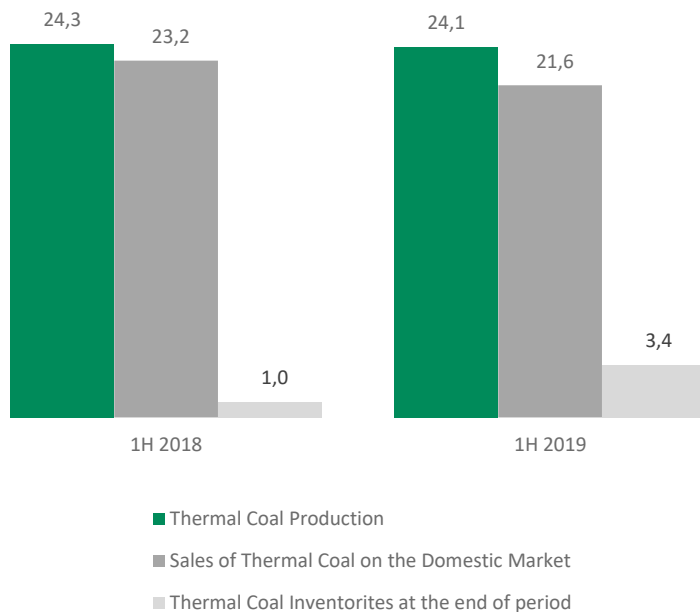
**data do not include Silesia, Siltech, Ekoplus

Source: ARP, PSE SA

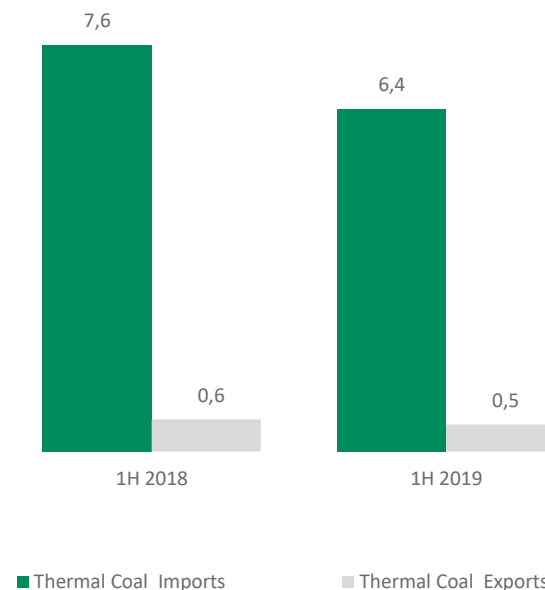


Drop in extraction and sales of thermal coal in Polish mines with increase of inventories, imports at 6.4 million tons

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



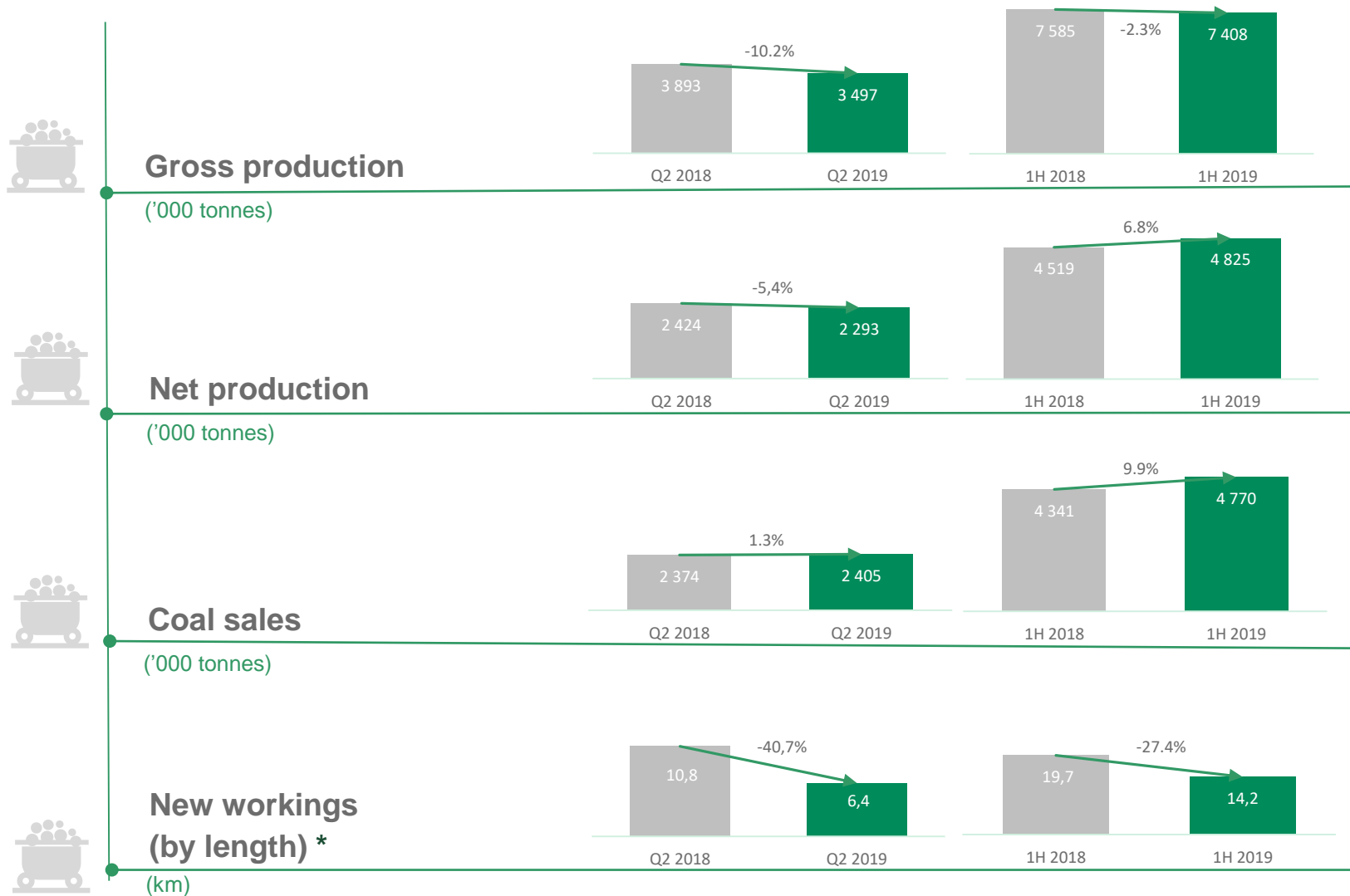
Thermal coal imports and exports [million tonnes]*



*data do not include Silesia, Siltech, Ekoplus .



GK LW Bogdanka – increase of gross production and coal sales in 1H 2019 compared 2018

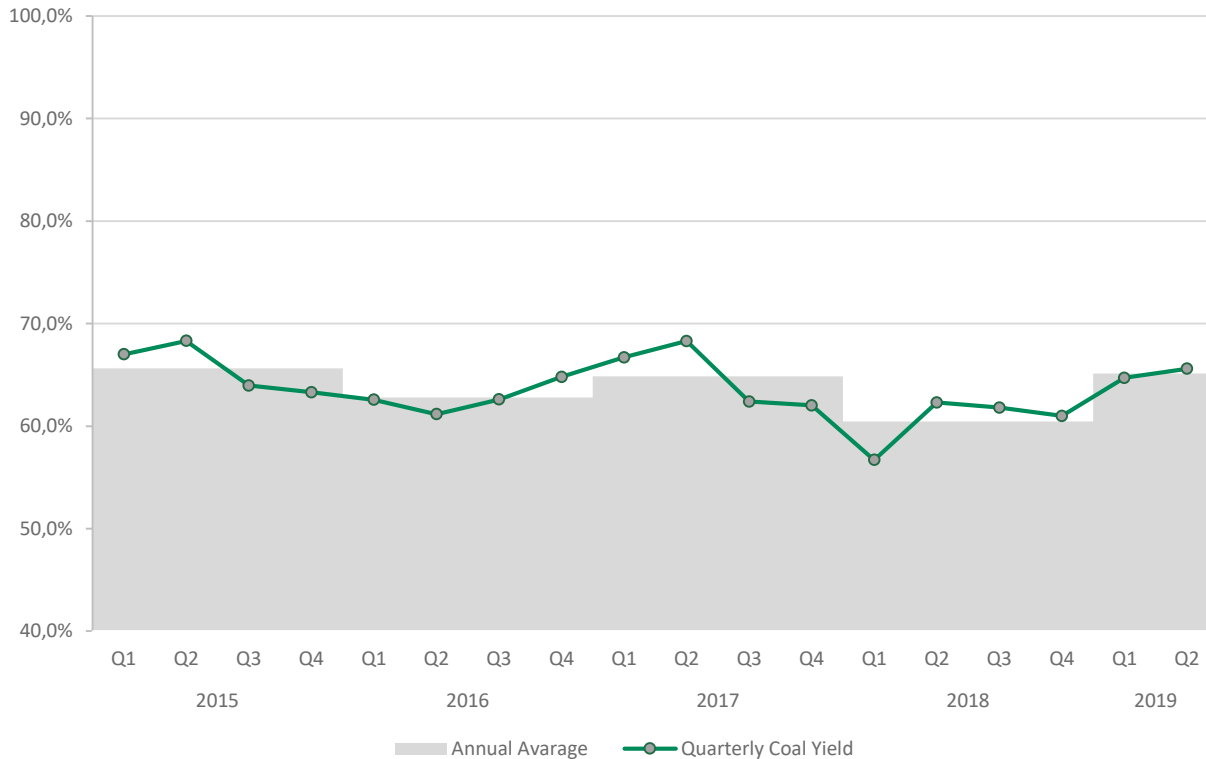


*Length of excavations made includes reconstruction works

Source: In-house data



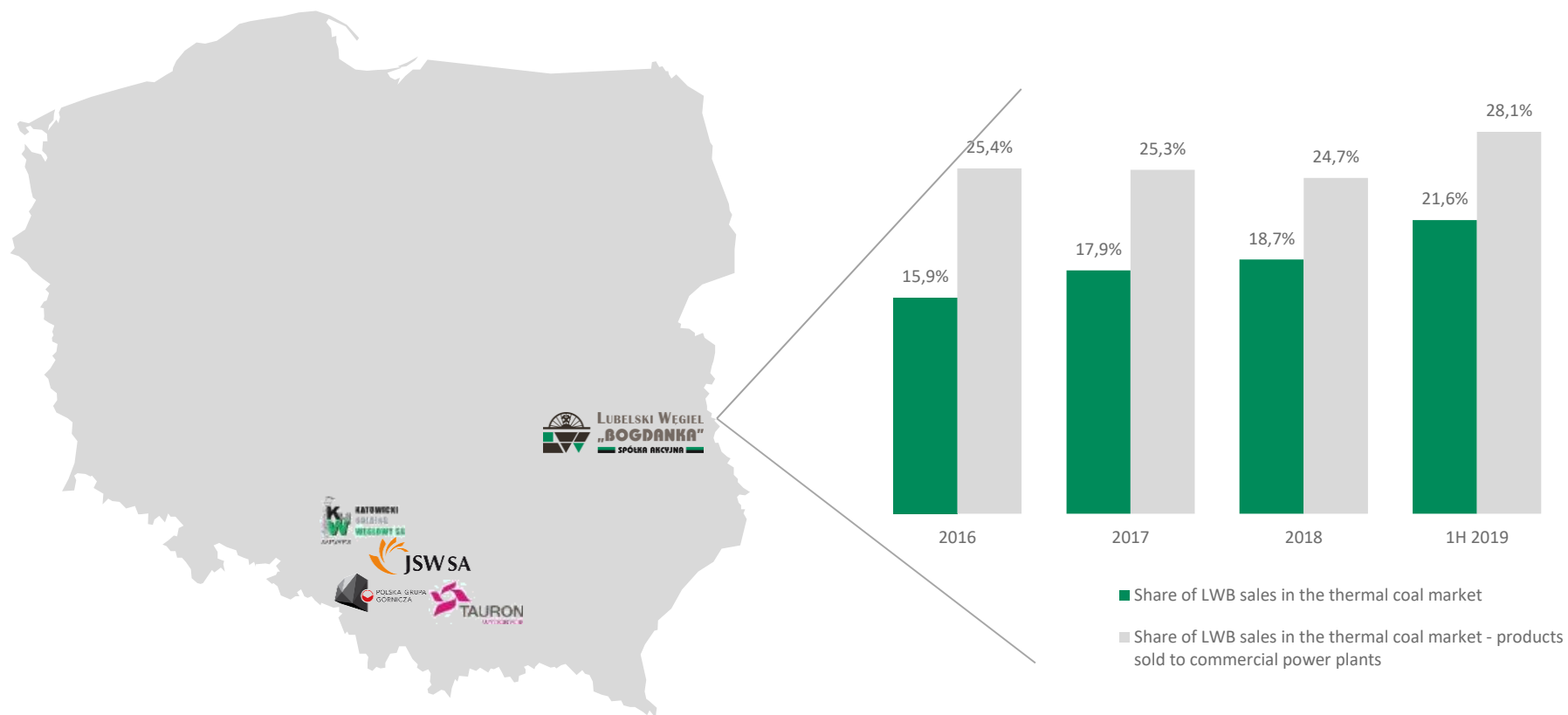
Coal yield at a level of 65.2% in 1H 2019



- ✓ coal yield in Q2 2019 was about 65.6% and was higher than in Q2 2018 (62.3%) and in Q1 2019 (64.7%)
- ✓ average yield in 1H 2019 was 65.1% compared to 59.6% in 1H 2018
- ✓ in Q2 2019 57.5% of raw coal was obtained from low walls and 42.5% high walls. In the same period of 2018 this ratio was 67.0% compared to 33.0%.
- ✓ In 1H 2019 45.8% of raw coal was obtained from low walls and 54.2% from high walls. In the same period of 2018 this ratio was 63.0% to 37.0%



We keep a strong position on the coal market – 28,1% of share in sales to commercial power plants





2

Financial highlights
of the LW Bogdanka
Group in Q2 2019
and 1H 2019

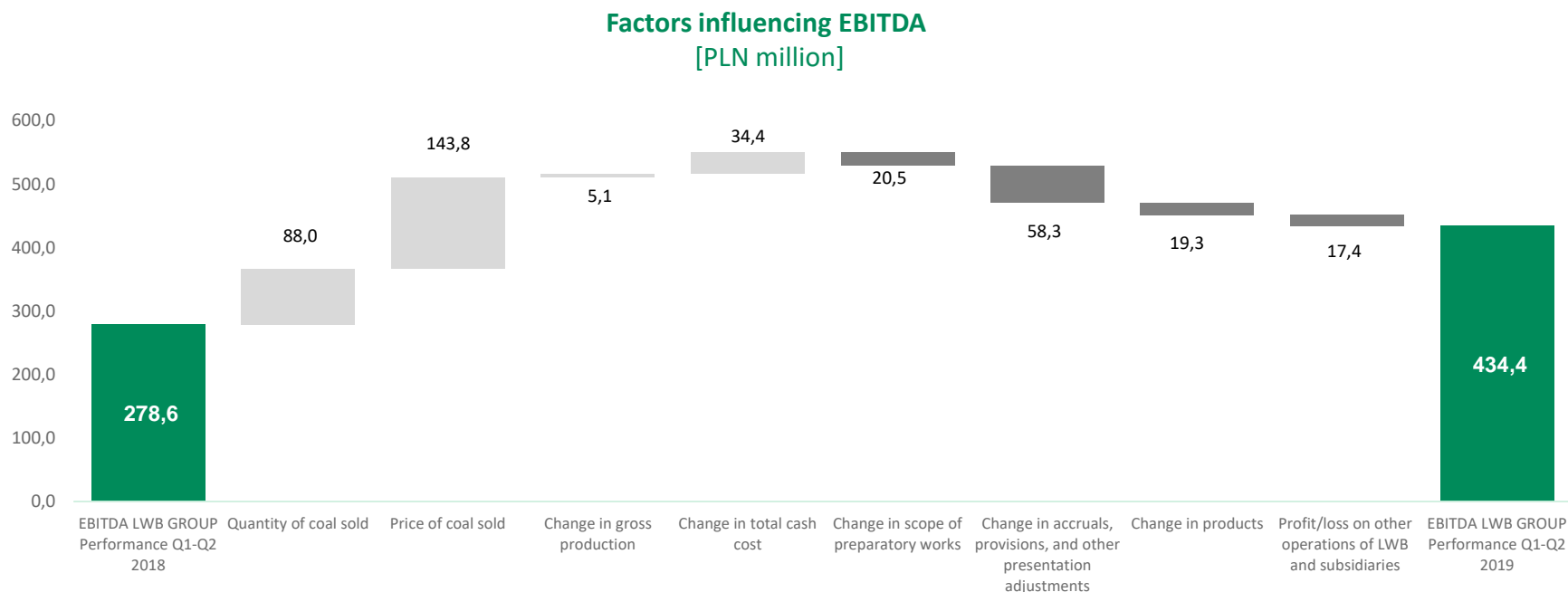


Very good operating and financial results - increase in production and sales in 1H 2019 vs. 1H 2018

Item	Unit	Q2 2018	Q2 2019	Change	1H 2018	1H 2019	Change
Technical and operating data							
Gross production	'000 tonnes	3,893	3,497	-10.2%	7,585	7,408	-2.3%
Net production	'000 tonnes	2,424	2,293	-5.4%	4,519	4,825	6.8%
Coal yield	%	62.3%	65.6%	3.3 p.p.	59.6%	65.1%	5.5 p.p.
Coal sales	'000 tonnes	2,374	2,405	1.3%	4,341	4,770	9.9%
Inventories (end of period)	'000 tonnes	202	144	-28.7%	202	144	-28.7%
New workings (by length)*	km	10.8	6.4	-40.7%	19.7	14.2	-27.9%
Financial data							
Revenue	PLN' 000	457,255	557,549	21.9%	855,952	1,098,336	28.3%
EBITDA	PLN' 000	151,147	211,559	40.0%	278,623	434,419	55.9%
EBIT	PLN' 000	49,529	113,841	129.8%	78,038	241,807	209.9%
Net profit	PLN' 000	43,184	87,954	103.7%	66,353	197,923	198.3%



Increase in EBITDA in H1 2019 compared to H1 2018



H1 2019

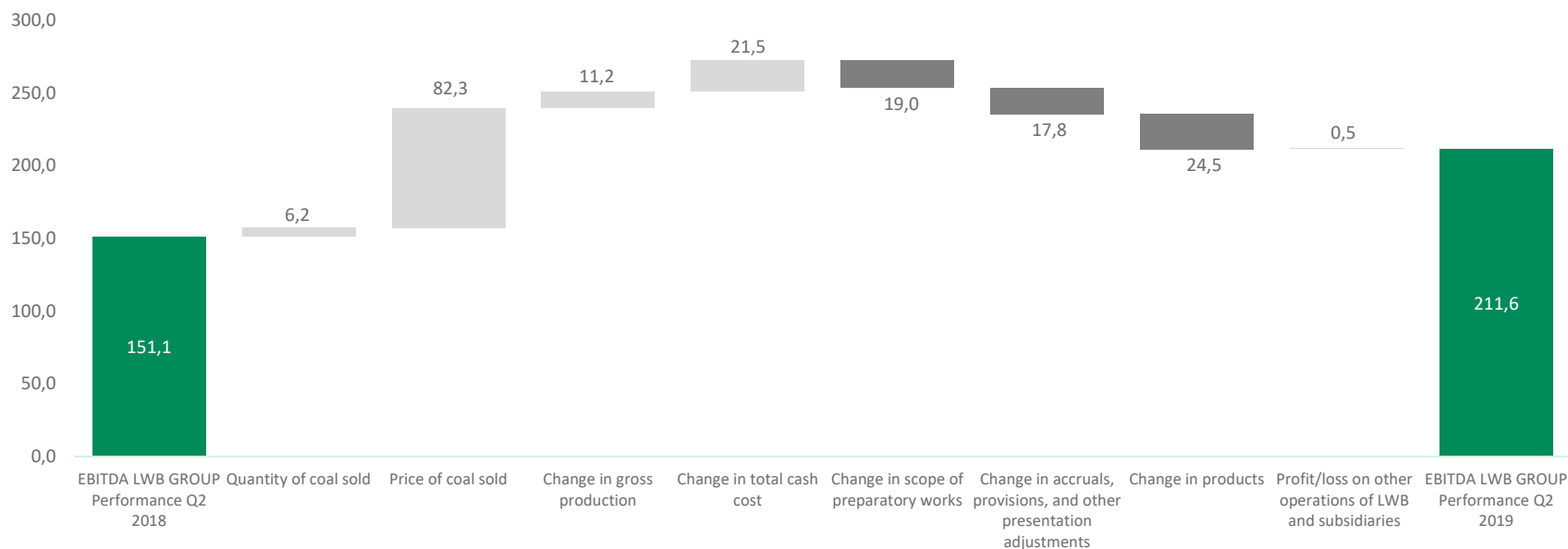
- (+) EBITDA margin 38.6% in Q2 2019 comparing to 32.9% in 2Q 2018
- (+) increase in revenue on sales of coal: quantitative sales higher (+31,000 tonnes, +1.3%), with a higher price
- (-) decrease in revenue on sale of goods and materials – lower sales of scrap from the process of disassembling longwall headings
- (-) extraction lower by 397,000 tonnes (-10.2%) – decrease in production cost
- (+) lower cash cost by type: materials consumption (in H1 2019 performance of work in galleries was lower by 4.4 km), energy consumption (lower gross extraction), other costs (in June 2018 insurance policy was taken out, covering the period of 18 months)

- (-) Accruals and deferrals: PLN +28.0 million in Q2 2019 comparing to +18.0 in Q2 2018 (in 2018 the following items were settled over time (without limitation): property insurance and additional incentive bonus for employees) Provisions and other presentation adjustments: in Q2 2019 changes were PLN +1,7 million comparing to PLN -1.8 million in 2018 (the value of disassembled heading workings grew)
- (+) in Q2 2019 value of inventories went down by PLN 17.6 million (increase in costs), while in Q2 2018 value of inventories went up by PLN 7.0 million (decrease in costs)



Increase in EBITDA in Q2 2019 compared to Q2 2018

Factors influencing EBITDA [PLN million]



Q2 2019

- (+) EBITDA margin 38.6% in Q2 2019 comparing to 32.9% in 2Q 2018
- (+) increase in revenue on sales of coal: quantitative sales higher (+31,000 tonnes, +1.3%), with a higher price
- (-) decrease in revenue on sale of goods and materials – lower sales of scrap from the process of disassembling longwall headings
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- (+) in Q2 2019 value of inventories went down by PLN 17.6 million (increase in costs), while in Q2 2018 value of inventories went up by PLN 7.0 million (decrease in costs)



The Group's result in 1H 2019 was influenced by: increased production and sales as well as higher prices

Item [PLN '000]	Q2 2018	Q2 2019	Change	1H 2018	1H 2019	Change
Revenue	457,255	557,549	21.9%	855,952	1,098,336	28.3%
Costs of products, goods and materials sold, selling and administrative expenses	408,843	444,263	8.7%	809,003	874,207	8.1%
Profit on sales	48,412	113,286	134.0%	46,949	224,129	377.4%
Gross sales margin	10.6%	20.3%	9.7 p.p	5.5%	20.4%	14.9 p.p
Other income	-812	1,215	-249.6%	30,360	2,530	-91.7%
Other costs	327	150	-54.1%	756	476	-37.0%
Net operating profit	47,273	114,351	141.9%	76,553	226,183	195.5%
Other net losses	2,256	-510	-122.6%	1,485	15,624	952.1%
Operating profit (EBIT)	49,529	113,841	129.8%	78,038	241,807	209.9%
EBIT margin	10.8%	20.4%	9.6 p.p	9.1%	22.0%	12.9 p.p
EBITDA	151,147	211,559	40.0%	278,623	434,419	55.9%
EBITDA margin	33.1%	37.9%	4.8 p.p	32.6%	39.6%	7.0 p.p
Finance income	5,361	1,166	-78.3%	10,141	8,299	-18.2%
Finance costs	3,769	3,734	-0.9%	8,529	7,029	-17.6%
Profit before taxation	51,121	111,273	117.7%	79,650	243,077	205.2%
Pre-tax profit margin	11.2%	20.0%	8.8 p.p	9.3%	22.1%	12.8 p.p
Income tax	7,937	23,319	193.8%	13,297	45,154	239.6%
Net profit for the financial year	43,184	87,954	103.7%	66,353	197,923	198.3%
Net sales margin	9.4%	15.8%	6.4 p.p	7.8%	18.0%	10.2 p.p



In 1H 2019 increase in gross production by 6.8% with lower cost by nature of LW Bogdanka SA by 4.7%

Item [PLN '000]	Q2 2018	Q2 2019	Change	1H 2018	1H 2019	Change
Net production ['000 tonnes]	2,424	2,293	-5.4%	4,519	4,825	6.8%
Coal sales ['000 tonnes]	2,374	2,405	1.3%	4,341	4,770	9.9%
Depreciation and amortization	99,319	95,288	-4.1%	196,067	187,811	-4.2%
Materials and energy	150,341	117,060	-22.1%	289,631	245,169	-15.4%
External services	126,070	129,261	2.5%	240,851	256,444	6.5%
Employee cost and benefits	116,980	128,118	9.5%	262,331	263,950	0.6%
Entertainment and advertising	992	1,057	6.6%	3,261	3,206	-1.7%
Taxes and charges	8,651	8,901	2.9%	19,560	21,147	8.1%
Other expenses	14,671	561	-96.2%	15,567	1,571	-89.9%
Cost by nature	517,024	480,246	-7.1%	1,027,268	979,298	-4.7%
Cost of activities for the Company's own needs	-84,938	-65,948	-22.4%	-146,527	-126,021	-14.0%
Accruals and deferrals	18,176	28,031	54.2%	13,040	46,512	256.7%
Value of coal obtained from excavations	-32,849	-21,493	-34.6%	-61,456	-46,993	-23.5%
Provisions and other presentation adjustments between costs by type and by function	-6,202	1,711	-	-2,354	22,681	-
Total production costs	411,211	422,547	2.8%	829,971	875,477	5.5%
Change in product inventories	-6,968	17,555	-	-27,733	-8,428	-69.6%
Value of goods and materials sold	5,078	4,369	-14.0%	9,081	10,067	10.9%
Own cost of production sold, including:	409,321	444,471	8.6%	811,319	877,116	8.1%
Costs of products, goods and materials sold	376,026	410,857	9.3%	740,355	808,849	9.3%
Selling costs	10,226	8,799	-14.0%	20,804	17,935	-13.8%
Administrative costs	23,069	24,815	7.6%	50,160	50,332	0.3%



In H1 2019 increase in extraction by 6.8% with lower costs by type of LW Bogdanka S.A. by 4.7%

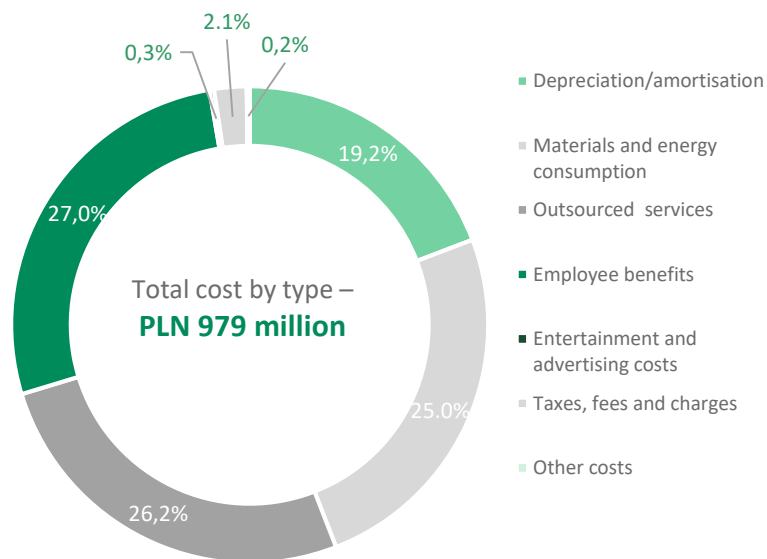
Gross production – decrease by 2.3%, i.e. by 177,000 tonnes

Net production – increase by 6.8%, i.e. by 306,000 tonnes

New excavations – decrease by 27.9% (14.2 km in H1 2019 compared to 19.7 km in H1 2018)

Total costs by type – PLN 979.3 million in H1 2019 – drop in relation to H1 2018 by 4.7%, i.e. by PLN 48.0 million

Cash costs (net of depreciation/amortisation) – decrease by 4.8%, i.e. by approx. PLN 40 million



Source: In-house data

Taxes and charges (+8.1% 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 (-89.9% y/y):

- ✓ lower costs of property insurance and third-party liability for the Management Board

Depreciation / Amortisation (-4.2% 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 (-15.4% y/y):

- ✓ lower value of materials subject to outflows in excavation and preparatory branches
- ✓ smaller scope of preparatory works (14.2 km in H1 2019 compared to 19.7 km in H1 2018)
- ✓ increase in fuel price
- ✓ decrease in value of purchased energy – the value of consumed electric energy went down; similarly, the value of thermal energy went down (hot utility water and central heating)

Entertainment and advertising costs (-1.7% y/y):

- ✓ changes in payment schedule

Employee benefits (+0.6% y/y):

- ✓ average employment in H1 2019 – 4,836, i.e. +191 people compared to H1 2018
- ✓ drop in value of the write-off to the Company Social Benefits Fund
- ✓ overestimated basis of 2018 in relation to the agreement signed with the trade unions, whereby a 5% increase and a payment of an incentive bonus were agreed upon

Outsourced services (+6.5 y/y):

- ✓ higher costs of mining and drilling services (in respect of preparatory works)
- ✓ higher costs of work performed on Saturdays and Sundays, and auxiliary works
- ✓ higher reclamation costs

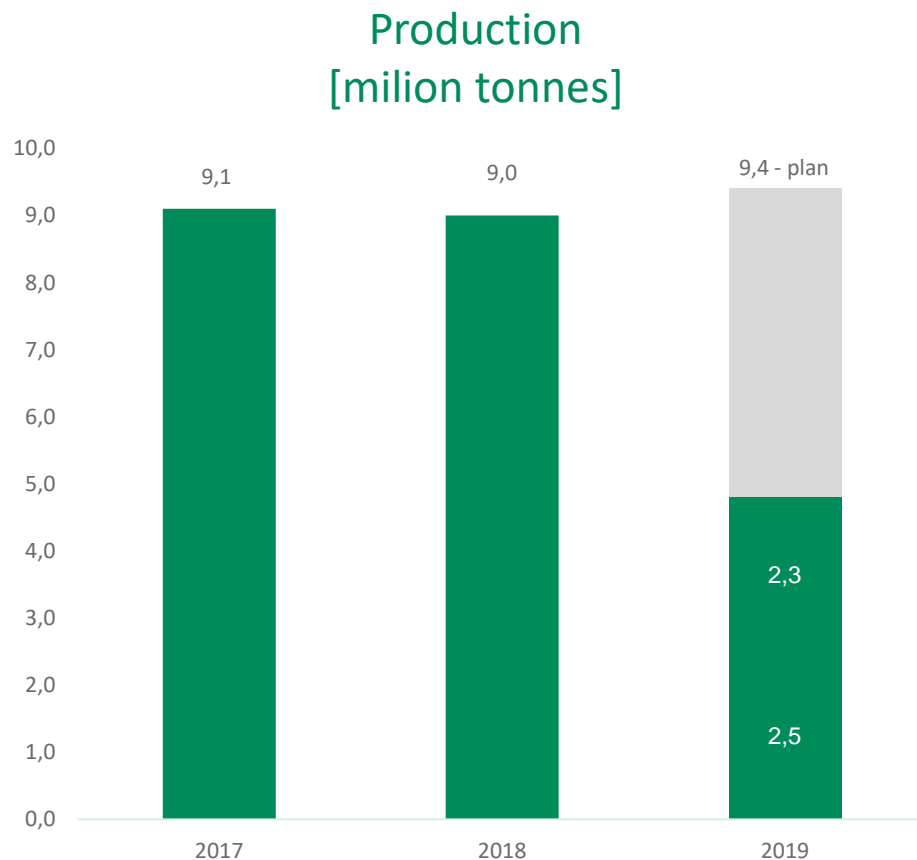


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Performance of the
plan in IH 2019



Production in Q2 2019 – 2.3 million tonnes



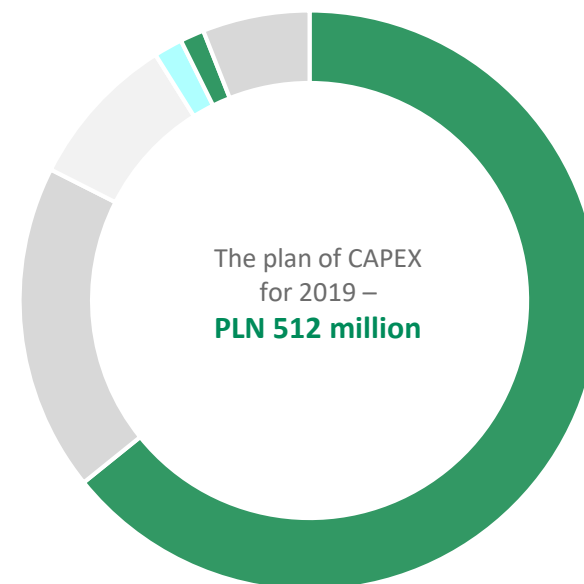
- ✓ In 1H 2019 LW Bogdanka SA produced over 4.8 million tonnes of coal, and sales were at the level of almost 4.8 million tonnes
- ✓ In Q2 2019 LW Bogdanka SA produced over 2.3 million tonnes of coal, and sales were at the level of almost 4.8 million tonnes
- ✓ Production plan for 2019 – 9.4 million tonnes



The use of CAPEX is over PLN 167 million in 1H 2019

Item [PLN '000]	Plan for 2019*	Realization of plan 1H 2019	Realization of plan 1H 2019 [%]
New excavations and upgrades of existing ones	328,434	124,965	38.0%
Maintenance of machinery	93,380	24,701	26.5%
Obtaining new licences	6,850	0	0.0%
Ostrów Field	8,191	569	6.9%
Other development investments	44,128	12,771	28.9%
ICT	6,743	1,323	19.6%
Administration	20	0	0.0%
Transport	2,186	0	0.0%
Other	7,157	1,302	18.2%
TOTAL CAPEX in LW Bogdanka SA	497,089	165,631	33.3%
Łęczyńska Energetyka sp. z o.o.	13,000	911	7.0%
Other subsidiaries	1,456	471	32.3%
TOTAL CAPEX AT THE LW BOGDANKA GROUP	511,545	167,013	32.6%

*The Company updated the forecast level of performing the capital expenditure plan for 2019 in relation to shifted dates of performing some investment tasks and as a result of reducing the amount of galleries planned for 2019.



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



- Q2 2019 saw a decrease in coal prices on the international market (**-39.3%** compared to Q2 2018), while on the domestic market coal prices grew (**+8.8%** comparing to Q2 2018)
- In Q2 2019 the Company performed its production plan at a level of more than **2.3 million tonnes** and sales plan at a level of **2.4 million tonnes**. In total 6.4 km of galleries was made (-40.7% compared to Q2 2019)
- The Company retains a strong market position achieving, in H1 2019, the share in the market of thermal coal sales of **21.6%**, and the share in the market of thermal coal sales to commercial power plants of **28.1%**
- We achieved very good financial results in Q2 2019 as a result of an increase in production and, concurrently, sales at a higher price – we recorded an increase in revenue by **21.9%** (compared to Q2 2018), EBITDA was **PLN 211.6 million**, operating profit **PLN 113.8 million**, and net profit **PLN 88.0 million**
- Dividend was paid at a level of **PLN 0.75 per share**



Thank you

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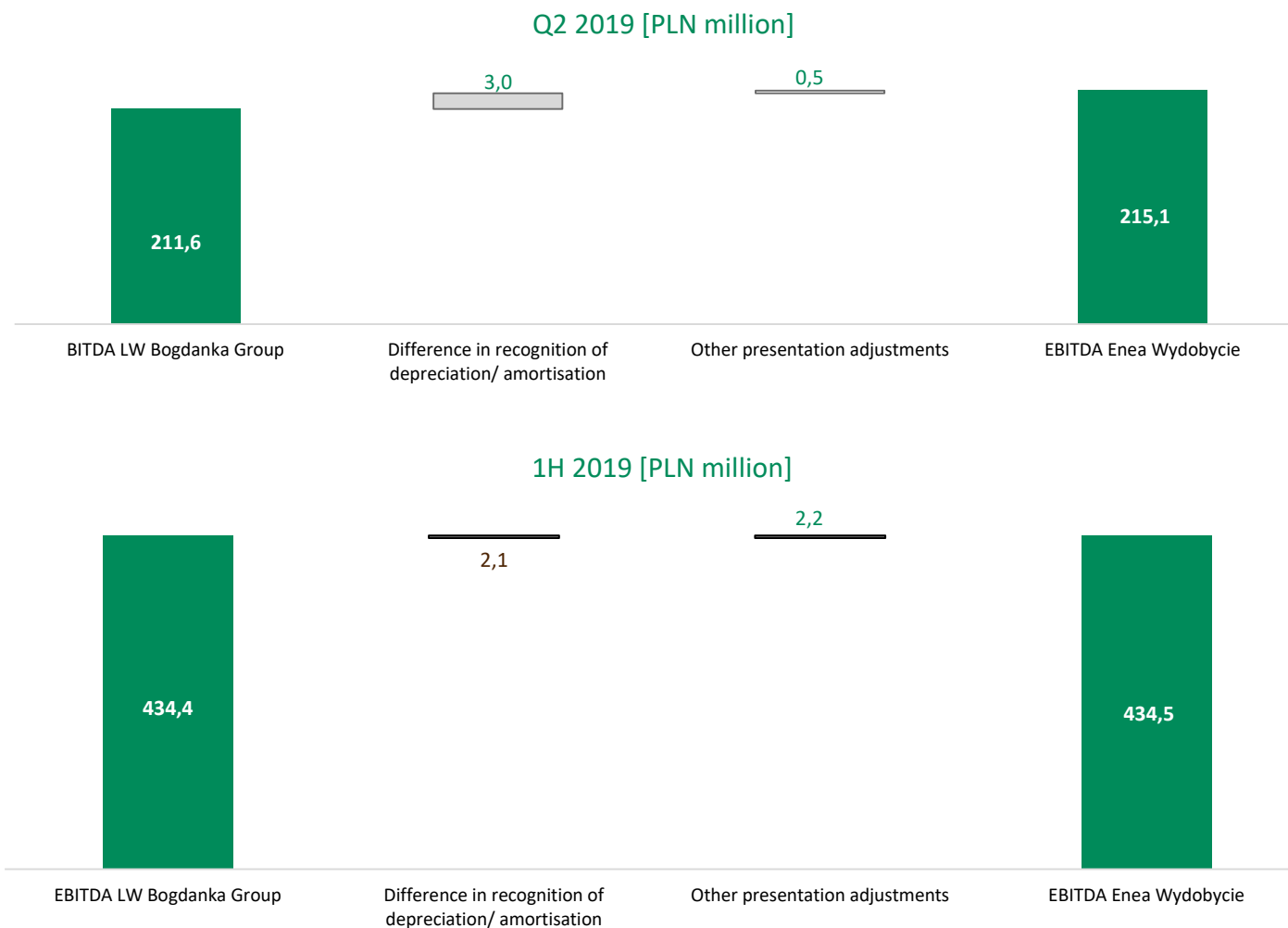


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Appendices –
Financial information



EBITDA presentation differences between the LW Bogdanka Group and Enea Wydobycie





Statement of Financial Position of LW Bogdanka Capital Group

Item [PLN '000]	31.12.2018	30.06.2019
Non-current assets, including:	3,463,822	3,453,633
Cash and cash equivalents	128,279	129,258
Current assets, including:	469,529	666,307
Cash and cash equivalents	170,793	262,468
Total assets	3,933,351	4,119,940
Current liabilities	446,803	433,106
Non-current liabilities	536,432	564,938
Total liabilities	983,235	998,044
Equity	2,950,116	3,121,896
Current borrowings	3,212	3,195



Cash flow GK LW Bogdanka

Item [PLN '000]	1H 2018	1H 2019
Net cash flows on operating activities	215,895	333,536
Cash inflow from operating activities	205,671	382,123
Interest received	-3,048	-1,125
Income tax paid	13,272	-47,462
Net cash flows on investing activities	-357,048	-237,902
Acquisition of property, plant and equipment	-212,168	-237,090
Interest paid regarding investing activity	-2,744	-
Acquisition of intangible assets	-14	-2,649
Inflow from the sale of property, plant and equipment	3,572	838
Interest received	2,627	1,979
Expenditure on other current investments	-150,000	-68
Proceeds from current investments	-	67
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	1,679	-979
Net cash flows on financing activities	-77,887	-3,959
Bond redemption	-75,000	-
Repayments of loans and borrowings	-1,518	-1,518
Interest and commissions paid due to financing activities	-1,369	-412
Payments under lease liabilities	-	-2,029
Net decrease/increase in cash and cash equivalents	-219,040	91,675
Cash and cash equivalents at beginning of period	434,928	170,793
Cash and cash equivalents at end of period	215,888	262,468



Sales structure at LW Bogdanka Capital Group

Item [PLN '000]	Q2 2018	Share [%]	Q2 2019	Share [%]
Coal sales	446,300	97.6%	545,692	97.9%
Other activities	5,834	1.3%	7,488	1.3%
Sales of merchandise and materials	5,121	1.1%	4,369	0.8%
Total revenue	457,255	100.0%	557,549	100.0%



Provisions at the LW Bogdanka SA

Balance-sheet provisions

[PLN '000]	As at 30.06.2018	As at 31.12.2018	As at 30.06.2019	Change Q2 2019/ Q2 2018	Change 1H 2019/ 1H 2018
Employee provisions	157,776	165,156	173,822	10.2%	5.2%
Liabilities under local property tax	46,877	41,431	46,047	-1.8%	11.1%
Mine decommissioning and land reclamation provision	124,529	124,207	138,412	11.1%	11.4%
Mining damage	4,233	3,184	2,956	-30.2%	-7.2%
Accident insurance premium (ZUS)	21,996	22,658	-	-100.0%	-100.0%
Other	12,365	11,883	12,154	-1.7%	2.3%
Total	367,776	368,519	373,391	1.5%	1.3%

The total provisions as at 30 June 2019 amounted to PLN 373,391,000, which means an increase by 1.3% compared to the value as at 31 December 2018.

Change in provisions

[PLN '000]	Change Q2 2018	Change Q2 2019	Change Q2 2019/ Q2 2018	Change in 1H 2018	Change in 1H 2019	Change 1H 2019/ 1H 2018
Employee provisions	-77	-667	766.2%	755	8,666	1 047.8%
Liabilities under local property tax	2,215	2,324	4.9%	4,524	4,616	2.0%
Mine decommissioning and land reclamation provision	8,444	13,595	61.0%	10,081	14,205	40.9%
Mining damage	-113	-172	52.2%	-201	-228	13.4%
Accident insurance premium (ZUS)	327	-	-	656	-22,658	-
Other	-5,815	186	-	-5,278	271	-105.%,
Total	4,981	15,266	206.5%	10,537	4,872	-53.8%



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attention