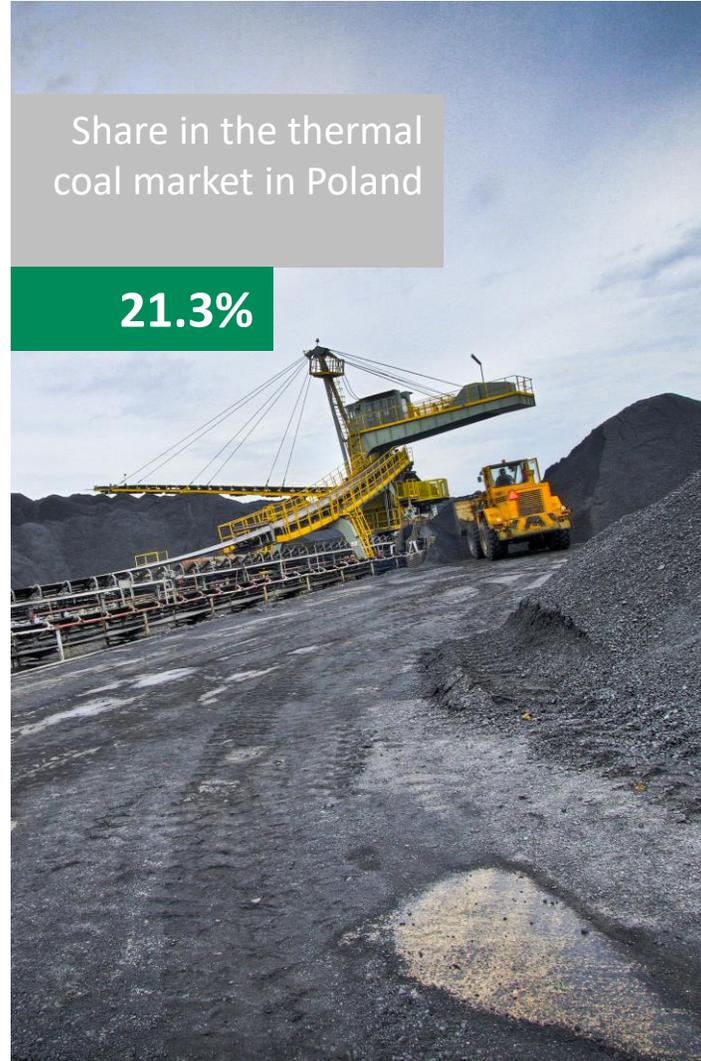




Directors' Report on Operations of the
LW Bogdanka Group for the third
quarter of 2019





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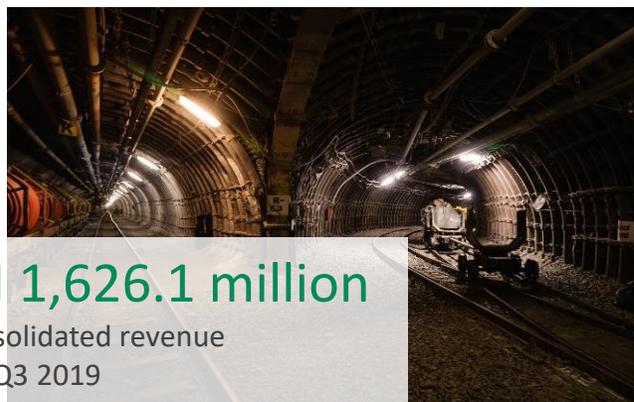
Summary of operations

1



7.1 million tonnes

of extracted coal
in Q1-Q3 2019



PLN 1,626.1 million

of consolidated revenue
in Q1-Q3 2019



PLN 264.0

million
of consolidated net profit
for Q1-Q3 2019

7.1 million tonnes

of sold coal
in Q1-Q3 2019



PLN 319.7

million
of consolidated operating
profit for Q1-Q3 2019



PLN 611.3

million
of consolidated EBITDA
in Q1-Q3 2019



Key events in three quarters of 2019

Q1 2019

Resignation of a Management Board member

On 18 January 2019 the Management Board of LW Bogdanka S.A. received from Mr Marcin Kapkowski, Vice-President of the Management Board responsible for Procurement and Investments, his resignation from his function as a Member of the Company's Management Board with effect from 31 January 2019.

Q2 2019

Decrease in TFI PZU S.A. investments funds' share below 5%

On 9 April 2019, the Management Board of LW Bogdanka S.A. was notified by Towarzystwo Funduszy Inwestycyjnych PZU S.A. (TFI PZU S.A.) that the investment funds managed by TFI PZU S.A. decreased their share in the total vote at the Company's General Shareholders Meeting below 5%.

Release of provision for ZUS claims related to contribution for accident insurance

On 24 April 2019, the Management Board of LW Bogdanka S.A. was informed that the Supreme Court had, on 4 April 2019, issued a judgement regarding cassation appeal filed by the Social Insurance Institution, Branch in Lublin regarding the Company's appeal from ZUS's decision defining the percentage rate of a contribution for accident insurance.

The Supreme Court rejected the cassation appeal, therefore the judgement, advantageous for the Company, issued by the Court of Appeal on 21 November 2017, became final and the claim was finally rejected. The pending case was notified by the

Company in its periodic reports.

On this basis, having determined the impact and type of the abovementioned event after the balance-sheet date on the interim consolidated financial statements of the Group, the Management Board of the Company decided to release the provision in the amount of PLN 22.7 million (PLN 16.4 million - the principal amount, PLN 6.3 million - interest), which was announced by the Company in Current Report No. 6/2019.

Concluding an Annex with Enea Elektrownia Połaniec S.A. with provisions for 2021

On 30 April 2019, an annex to the Long-Term Agreement on sale of thermal coal No. 3/W/2012, was signed by the Company and Enea Elektrownia Połaniec S.A. As a result of concluding the Annex, the parties decided to apply a price formula for the period 2018-2020, serving for setting the price of coal supplies, also in 2021.

Given that the parties have made the abovementioned arrangements before 30 June 2019, the condition subsequent, notified by the Company in current report No. 37/2016, was deleted from the Agreement.

Recommendation of the Management Board regarding payment of dividend from the 2018 net profit

On 14 May 2019, the Management Board of LW Bogdanka S.A. adopted a resolution on a motion to the General Shareholders Meeting regarding distribution of net profit for 2018 and payment of dividend for the shareholders of the Parent. In accordance with the resolution the Management Board recommends to allocate the amount of PLN 25,510,192.50 to dividend, which represents PLN 0.75 per share. On 15 May 2019, the Company's Supervisory Board positively assessed the motion of the Management Board.

Appointment of the Management Board of LW Bogdanka S.A. to the new term of office

On 15 May 2019, the Company's Supervisory Board adopted resolutions on the re-appointment of the existing members of the Company's Management Board to the new term of office.

Convening the Annual General Shareholders Meeting of LW Bogdanka S.A.

On 17 May 2019, the Management Board of LW Bogdanka S.A. convened the Annual General Shareholders Meeting of Lubelski Węgiel Bogdanka S.A. to take place on 18 June 2019.

Adopting a resolution regarding payment of dividend from the 2018 profit

On 18 June 2019, the Annual General Shareholders Meeting adopted a resolution on distribution of net profit for 2018 and payment of dividend. The net profit generated by the Company in 2018 amounting to PLN 51,596,697.12 was distributed by the Annual General Shareholders Meeting as follows:

- the amount of PLN 25,510,192.50 – to a dividend, i.e. PLN 0.75 per share
- the remainder, i.e. PLN 26,086,504.62 – to the Company's reserve capital.

Further, the Annual General Shareholders Meeting scheduled the dividend date for 9 July 2019, and the dividend payment date for 23 July 2019.

Convening the Extraordinary General Shareholders Meeting of LW Bogdanka S.A.

On 25 June 2019, at the request of the shareholder, Enea S.A., an Extraordinary General Shareholders Meeting of Bogdanka S.A. with registered office in Bogdanka, was convened and scheduled to take place on 25 July 2019.

Q3 2019

Changes in the Supervisory Board of LW Bogdanka S.A.

On 25 July 2019, the Extraordinary General Shareholders Meeting of removed Mr Przemysław Krasadomski from the Supervisory Board and appointed Ms Izabela Antczak-Bogajczyk to the Supervisory Board.

Convening the Extraordinary General Shareholders Meeting of LW Bogdanka S.A.

On 18 September 2019, at the request of the shareholder, Enea S.A., an Extraordinary General Shareholders Meeting of Bogdanka S.A. with registered office in Bogdanka, was convened and scheduled to take place on 17 October 2019. The agenda of the Extraordinary General Shareholders Meeting included adopting resolutions on changing rules governing remuneration for members of the Management Board and Supervisory Board.





Events after the balance-sheet date

Session of the Extraordinary General Shareholders Meeting of LW Bogdanka S.A.

Extraordinary General Shareholders Meeting of LW Bogdanka S.A. was held on 17 October 2019. Its agenda included adopting resolutions on changing rules governing remuneration for members of the Management Board and Supervisory Board.

Convening the Extraordinary General Shareholders Meeting of LW Bogdanka S.A.

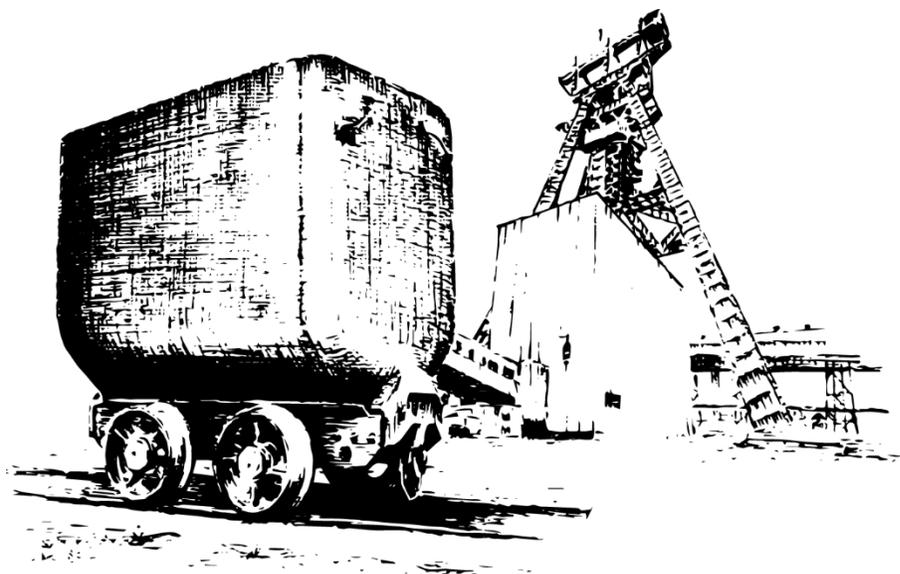
On 14 November 2019, at the request of the shareholder, Enea S.A., an Extraordinary General Shareholders Meeting of Bogdanka S.A. was convened and scheduled to take place on 13 December 2019. Its agenda will include adopting a resolution on amending the Company's Articles of Association.





2

Organisation and
business activities
of the LW Bogdanka
Group



Lubelski Węgiel Bogdanka Spółka Akcyjna

Address: Bogdanka, 21-013 Puchaczów, Lublin Province
Phone: +48 81 462 51 00, +48 81 462 51 01
Fax: +48 81 462 51 91
www: www.lw.com.pl; www.ri.lw.com.pl
Industry ID No. (REGON): 430309210
Tax Reg. No. (NIP): 713-000-57-84
E-mail: bogdanka@lw.com.pl

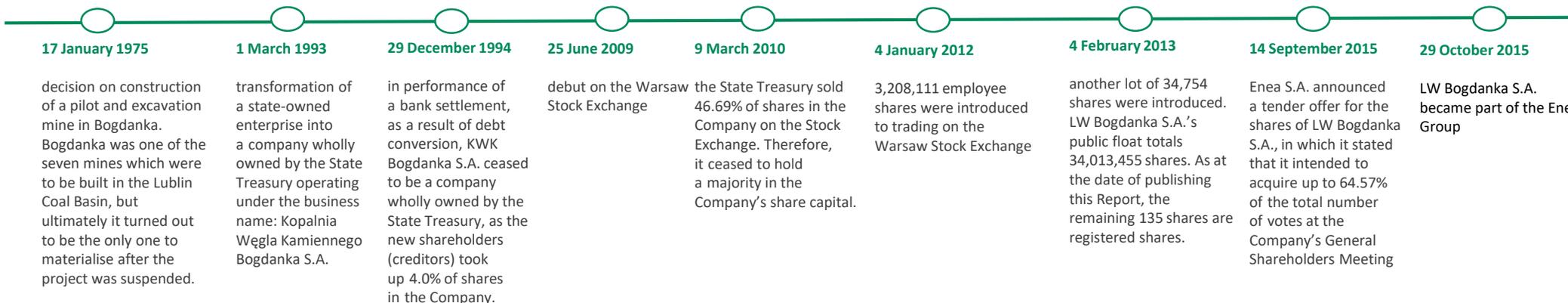
Legal form and regulations which provide a basis for the Company's activities

LW Bogdanka S.A. is a joint-stock company operating under the laws of Poland. The Company operates on the basis of legal acts which include the following:

- Act of 15 September 2000 – Commercial Companies Code (Dz. U. 2019.505, as amended)
- Act of 9 June 2011 – Geological and Mining Law (Dz. U. 2019.868)

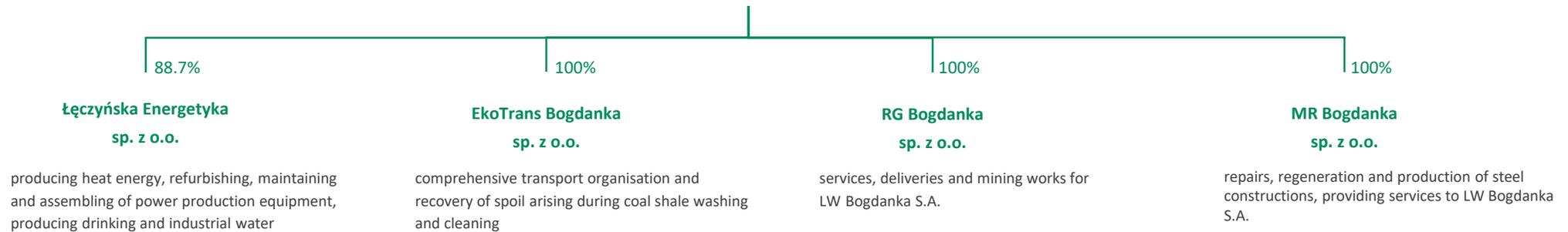
The founder of the Company is the State Treasury, represented by the Minister of the State Treasury. The Company may operate in Poland and abroad. The Company was established for an indefinite term.

History in brief





THE LUBELSKI WĘGIEL BOGDANKA GROUP



All above subsidiaries comprising the LW Bogdanka Group are subject to consolidation.

As at the date of submitting the Report, LW Bogdanka S.A. also holds 22.41% of shares in Kolejowe Zakłady Maszyn KOLZAM S.A., with a share capital of PLN 750,000 (bankruptcy proceedings were discontinued, the company does not conduct business). The ownership title to the shares was transferred to the Parent as security for financial settlements for the provision of transport services. That company has not been included in the consolidation.

Changes in the structure of the LW Bogdanka Group

During the three quarters of 2019, there were no changes in the structure of the LW Bogdanka Group or in the Group's organisational and capital associations with other entities. In the period in question there were no changes in the structure of the LW Bogdanka Group that would result from merger of business entities, acquisition or sale of the Group's undertakings, long-term investments, division, restructuring or discontinuation of activities.





Development strategy of LW Bogdanka S.A.

On 9 February 2017 the Parent announced its Development Strategy of LW Bogdanka S.A. - Mining Area of the Enea Group until 2025 (under the 2030 framework), including the dividend policy. The adopted strategy reflects the 2030 Development Strategy of the Enea Group as it covers, among other things, activities to meet the rising demand for thermal coal on the side of power and cogen plants from the Generation Area of the Enea Group and to implement 10 strategic initiatives planned by the Enea Group for the Mining area.

Vision

Bogdanka is a strong link in the value chain of the Enea Group and the efficiency leader in the mining sector with the highest work safety standards.

Mission

By contributing to energy security of Poland, Bogdanka proves that it is a reliable supplier of coal for commercial power plants, able to maintain its competitive advantage and to continuously increase the value of the Company, while improving its work safety and environment protection standards and implementing innovative solutions.

In the course of the activities to formulate the Strategy, two development scenarios were prepared:

- **baseline scenario**, which assumes average production at a level of about 8.5 million tonnes over 2017-2025 and capital expenditure amounting to PLN 3.7 billion (in nominal terms) in 2016-2025;
- **flexible development scenario**, which assumes average annual projected production at a level

of about 9.2 million tonnes over 2017-2025 and capital expenditure amounting to PLN 4.0 billion (in nominal terms) in 2016-2025.

Taking into account the current and expected market situation, the Parent wants to implement the flexible development scenario as part of its Strategy.

Based on the above assumptions the Parent will strive to achieve the following objectives by 2025:

- return on equity (ROE) at a level of 10.9%
- return on assets (ROA) at a level of 8.5%
- and an increase in nominal EBITDA by 44.0% (compared to 2015 value adjusted by the impairment loss).

The Parent assumes that it will strengthen its market position by achieving at least a 25% share in the market of fine thermal coal for commercial power plants as well as its financial position by a further reduction in the UMCC by 10% in real terms by 2025, compared to 2015.

During the implementation of the Strategy, the Management Board will focus on the key areas of operations of the Parent, which include:

1. Close cooperation and utilisation of synergies in the Kozienice-Bogdanka-Polaniec mining and power generation area
2. Efforts to double the exploitable resources on the basis of the Ostrów deposit and to extend the mine's life to about 50 years
3. Implementation of strategic initiatives which include:
 - feasibility study of construction of an integrated gasification cycle (IGCC) system for production of fuel for power generation within the ENEA Group
 - programme to continue improving work safety
 - utilisation of the advanced high-performance

face complex

- continuation of the "Smart Mine" programme
- effective waste rock management
- operator's services provided by LW Bogdanka S.A., offered on the basis of high technological and management standards of the Parent.

Until 2030, a key direction for the Parent will be the development of infrastructure in the Ludwin Mining Area (Ostrów deposit) - according to preliminary estimates the Parent will spend there about PLN 1.2 - 1.3 billion (in real terms) after 2025. This project is to ensure that the shaft complex in the Bogdanka Field can continue coal extracting after 2030.

Corporate social responsibility (CSR)

Because of its crucial importance to the region, one of the Group's goals, as always, is to run its business operations in compliance with the rules of corporate social responsibility (CSR) strategy, which includes ensuring the highest work safety standards, environmental effectiveness, the protection of local biodiversity, the stimulation of development and a guarantee of security for local communities, as well as the effective management of relationships with all groups of stakeholders - all these in line with the principles of sustainable growth.

Dividend policy

In the medium and long run, the Parent wants to remain a dividend-paying company, and the Management Board intends to ask the General Shareholders Meeting for approval of dividends up to 50% of the net profits shown in the LW Bogdanka S.A.'s separate financial statements, prepared in accordance with the IFRS EU.

As the situation on the market is undergoing dynamic changes, the Company is working on updating the Strategy within the ENEA Group. New assumptions will be published before the end of this year.





Development strategy of the subsidiaries

Development strategy of Łęczynska Energetyka sp. z o.o.

The Management Board has set the following strategic objectives for the company to be completed until 2021:

- extension of the Water Treatment Station (WTS) – due to the technological needs of LW Bogdanka S.A., there are plans to continue this task in 2019 (cooling fire-extinguishing water tank and handling the concentrate)
- modernisation of boiler house in Bogdanka - as part of this task it is planned in 2019 to construct of the transformation station, as well as switchgear for the purposes of Bogdanka boiler house and switchgear connector
- construction of a new boiler unit in the boiler house in Bogdanka – due to the necessity to ensure uninterrupted supply of thermal energy to customers (guaranteeing an additional back-up generating capacity for mitigating the risk of breaks in heat generation); there are plans to build a new boiler unit in the boiler house. The parameters of this boiler unit will be selected with due account taken for the applicable environmental protection laws - this year a concept of assumptions for 2020-2021 is to be prepared
- Modernisation of the main heat line Bogdanka - łączna - this task will be performed with a view to reducing significant transmission losses and protecting the network against gradual corrosion, thus making them available for use in subsequent years.

Development strategy MR Bogdanka sp. z o.o.

The company's strategic goals include:

- increase capacity in the area of mining machine manufacturing and refurbishment

The company's main objectives include:

- repairs of mining machines and devices
- manufacture general purpose steel structures in accordance with all formal and legal requirements
- works related to manufacture and regenerate mass products used by the Parent
- repair and adaptation services for the office and administrative infrastructure on the surface.

Development strategy of EkoTrans Bogdanka sp. z o.o.

In 2019 and onwards the company is planning to conduct business operations related to mining waste management. The company aims to recover and recycle about 2.7 million tonnes of waste generated by dry and wet coal processing annually.

Development strategy RG Bogdanka sp. z o.o.

The company conducts and will continue to develop its operations involving auxiliary and preparatory works for the Parent, LW Bogdanka S.A.





Investment projects completed in three quarters of 2019

In three quarters of 2019, LW Bogdanka S.A. performed the planned investment tasks. In this respect capital expenditures for non-current assets totalled PLN 287,583,000.

The plan for Q1-Q3 2019 included: development investments, including the purchase of machines and equipment, their modernisation and repairs – including construction and upgrade of excavations in the Bogdanka, Nadrybie, and Stefanów Fields.

DEVELOPMENT INVESTMENTS AND OVERHAULS LW BOGDANKA S.A.



Ostrów Field – design works – a programme & zoning concept along with the concept of monitoring natural environment were developed; the Regional Environmental Protection Directorate in Lublin issued a decision whereby the Company is required to carry out an assessment of environmental impact of the planned investment.

Purchase and assembly of new machines and equipment – in Q1-Q3 2019 LW Bogdanka S.A. purchased and assembled machines and equipment for a total amount of PLN 4,354,000, including costs of assembling. The purchases included two DMZ electric-accumulator manoeuvring tractor, dry dust collector, coal crusher for the wall set, and drawbar scraper conveyor and a PZ vibrating screen.

Purchases of finished goods (machines and equipment) – the finished goods worth PLN 23,472,000 were purchased. The most important items include: ready-made transportation devices (including oil transport cisterns, braking trolleys, medium mine trolleys, carriers for transporting euro-pallets, open bottom containers and overhead rail passenger units), hydraulic pumps and aggregates (including ZPM-H pumping and mixing kits, screw compressors and compressor aggregates), electric devices (including electric motors and current source), and other ready-made devices (including MAX welders, UWK bolting machines, introscope cameras, RI analyser).

Upgrade and repairs of machines and equipment – the amount of PLN 16,879,000 was assigned for the modernisation of heading coal-cutting machines, modernisation of hoists, modernisation of samplers, modernisation of EPR friction lift, as well as periodical repairs of carriages, repair of longwall coal-cutting machine and wall conveyors.

MCCP replacement projects – PLN 3,840,000 was spent for the casing of electromagnetic separators in MCCP, modernisation of steel constructions and facades, installation of pulsators on dust containers as well as installation of mobile electric hoist in MCCP.

OPERATIONAL INVESTMENTS LW BOGDANKA S.A.



New workings and upgrade of existing ones

New excavations were built in accordance with the applicable Mining Works Schedule. The total length of the gallery workings as part of investments in Q1-Q3 2019 was equal to 18.7 km with the value of PLN 160,456,000.

Modernisation of workings with respect to reconstruction of galleries and vertical excavations was performed in accordance with the adopted schedules, worth in total PLN 53,937,000.

ICT

Alarm and monitoring system – performed works included automatic monitoring and extinguishing installation in fuel chamber in the Bogdanka and Nadrybie Fields.

“Smart Mine” project – the implementation of IT system regarding project management in the Company, the implementation of production management system is underway.

Computer systems – works related to the implementation of a system for reporting data of mining works and services at the mine were continued; data center system was extended and upgraded.

Purchase of ready-made devices – as part of this task ICT systems and devices (including underground stationary and mobile computers along with software) for the amount of PLN 674,000.

Other

Construction and modernisation of facilities and installations – PLN 3,254,000 was spent for modernisation of existing structures, including PLN 3,165,000 – modernisation of workshop building, and PLN 527,000 was spent for telecommunications systems and devices.



Investment projects completed in Q1-Q3 2019

Selected items of capital expenditure in the LW Bogdanka Group

[PLN '000]	Plan 2019*	Performance Q1-Q3 2019	Performance Q1-Q3 2019 [%]
New workings and upgrade of existing ones	328,434	214,393	65.3%
Maintenance of machinery	93,380	44,705	47.9%
Obtaining new licences	6,850	0	0.0%
Ostrów Field	8,191	569	6.9%
Other development investments	44,128	24,251	55.0%
ICT	6,743	1,552	23.0%
Administration	20	31	155.0%
Transport	2,186	350	16.0%
Other	7,157	1,732	24.2%
Total CAPEX in LW Bogdanka S.A.	497,089	287,583	57.9%
Łęczyńska Energetyka sp. z o.o.	13,000	3,907	30.1%
Other subsidiaries	1,456	3,199	219.7%
Total CAPEX at the LW Bogdanka Group	511,545	294,689	57.6%

*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.

Deliveries of devices for the ploughing system used for the exploitation of the first wall in seam 391, field VIII, were rescheduled to January 2020, as a result of which PLN 30 million of expenditure allocated for this purpose will be incurred in 2020 (full amount).

As far as preparatory works are concerned, the Company plans to decrease the length of new workings planned for 2019 by almost 6 km (with an estimated value of PLN 56.2 million), for the following reasons:

- rescheduling the planned performance of test galleries in seam 389, field V – 1,350 m; (for geomechanical reasons the excavation should be performed after 2020),
- rescheduling the planned performance of top gallery, wall 6/II/385 for ventilation and fire reasons – 2,034 m (it will be drilled a year later, in 2020-2021),
- narrowing the scope of drilling of longwall galleries in wall 4/VIII/385 in Stefanów, due to a change in geological forecast. Change in the boundary isoline of the seam's thickness (1.2 m) 385/2– 1,230 m.

Capital expenditure for excavations in Q1-Q3 2019

Excavations and works - total	Depreciation method	Length [m]	Value of the coal from the excavations [PLN '000]	Full value of capital expenditure [PLN '000]	Value of capital expenditure [PLN '000]
Longwall excavations:	natural	15,771.6			
Basic excavations	linear	2,948.0	65,883	280,264	214,381
Reconstructions	linear / natural	1,904.7			

In 2019, 19,823,6 m of roadway excavations were made in the three quarters of 2019. Reconstruction of the excavations were continued in accordance with the schedules. The total expenditure on reconstruction of the corridor workings in that period amounted to PLN 53,938,000. The total expenditure incurred on the new workings and on the modernization of the existing ones amounts to PLN 160,456,000.

Fractions are not included in the values indicated in the tables, because they are directly recognised in the costs. However, fractions are included in the total length. In this case, this is about 1,104 m.





Coal prices on the international market

CIF ARA coal prices

- USD 57.5/tonne - the average coal price (CIF ARA) in Q3 2019, i.e. -42.2% (compared to USD 99.5/tonne in Q3 2018)
- comparing to the average coal price (CIF ARA) in Q2 2019, (USD 54.5/tonne), it's an increase by 5.5%

Inventories in ARA ports

- 7.2 million tonnes of coal inventories at the end of September 2019 in ARA ports – similarly as in June 2019

Prices in the world's main ports

- The average coal price FOB Baltic Ports in Q3 2019 amounted to USD 52.8/tonne, i.e. -43.9% (USD 94.2/tonne) compared to Q3 2018
- comparing to the average price in Q2 2019, (USD 51.1/tonne), it's an increase by 3.3%

China

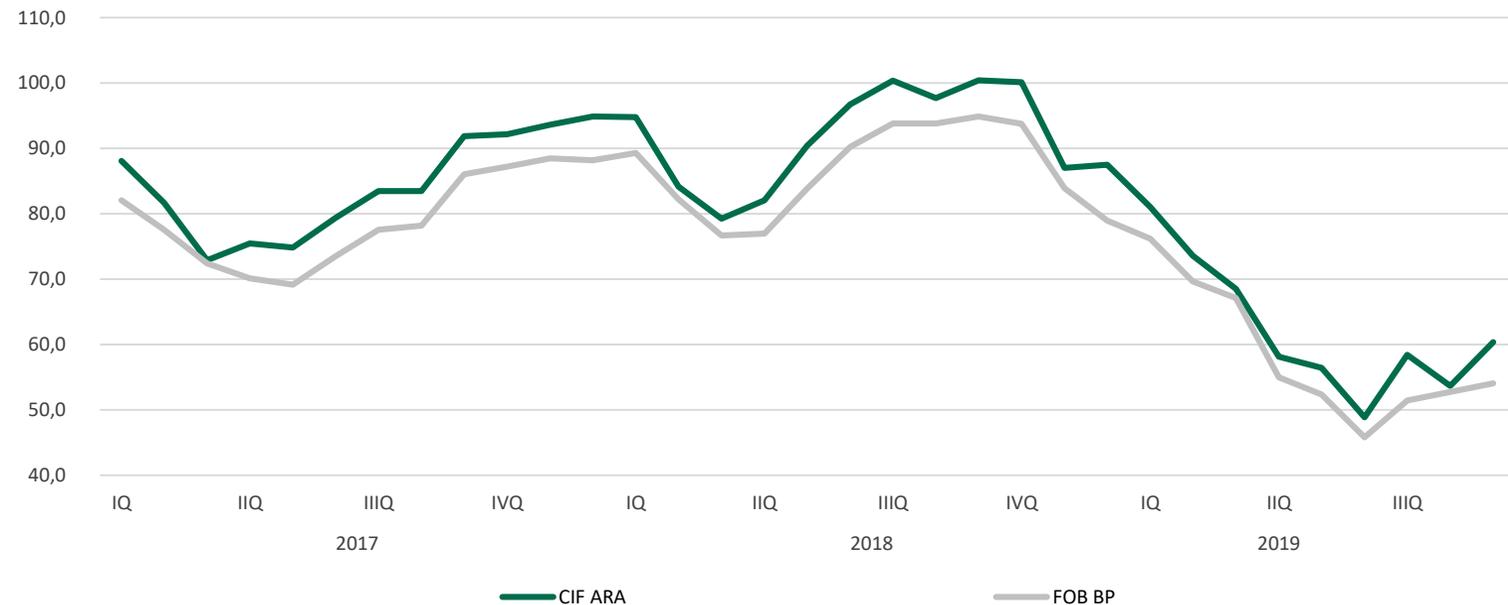
- Approx. 2.7 billion tonnes of coal were produced in Q1-Q3 2019, +3.8% compared to Q1-Q3 2018 (2.6 billion tonnes)
- imports in Q1-Q3 2019 were 250.6 million tonnes – an increase by approx. 9.4% compared to Q1-Q3 2018 (229.0 million tonnes)

USA

- Production in Q1-Q3 2019 was 472.2 million tonnes (-0.4% comparing to Q1-Q3 2018 (512.3 million tonnes))
- Consumption in Q1-Q3 2019 was 420.3 million tonnes (-12.2% comparing to Q1-Q3 2018 (478.7 million tonnes))
- Exports in Q1-Q3 2019 – 64.8 million tonnes of hard coal, -18.1% y/y

Russia

- Production in Q1-Q3 2019 was 319.0 million tonnes (+0.7 y/y)
- Exports in Q1-Q3 2019 (144 million tonnes), similarly as in the same period of 2018





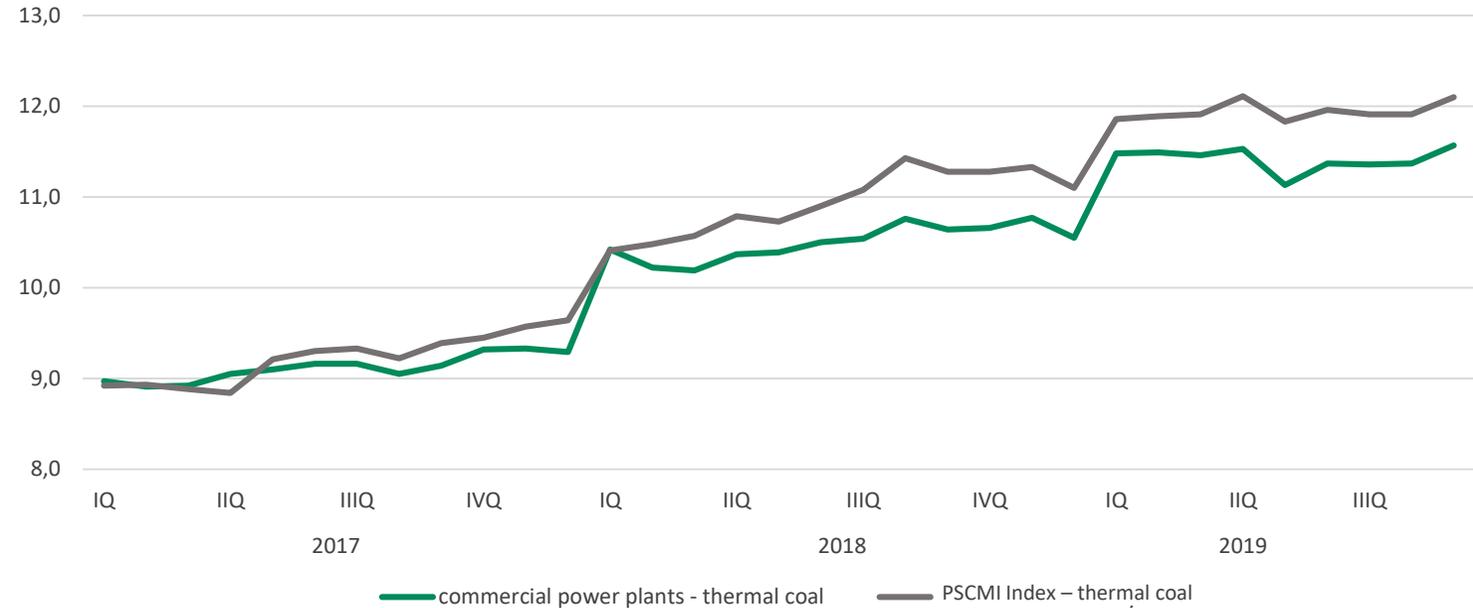
Fine thermal coal prices in the domestic market

Fine thermal coal prices

- in Q3 2019, the average annual price of fine thermal coal for commercial power plants was PLN 11.43 per GJ, the change dynamics was ca. 7.3% y/y
- comparing to Q2 2019 (PLN 11.34 per GJ) – a increase of 0.8% was recorded
- average heating value of fine coal for commercial power plants was about 21.7 GJ

Prices based on the PSCMI index

- in Q3 2019 the average price based on the PSCMI index was approx. PLN 11.97 per GJ, which compared to average price in Q3 2018 (PLN 11.26 per GJ) represents an increase by approx. 6.3%
- in Q2 2019 the price stood at the same level





Production, sales and inventories of thermal coal in the domestic market in Q3 2019

Production of thermal coal in Poland

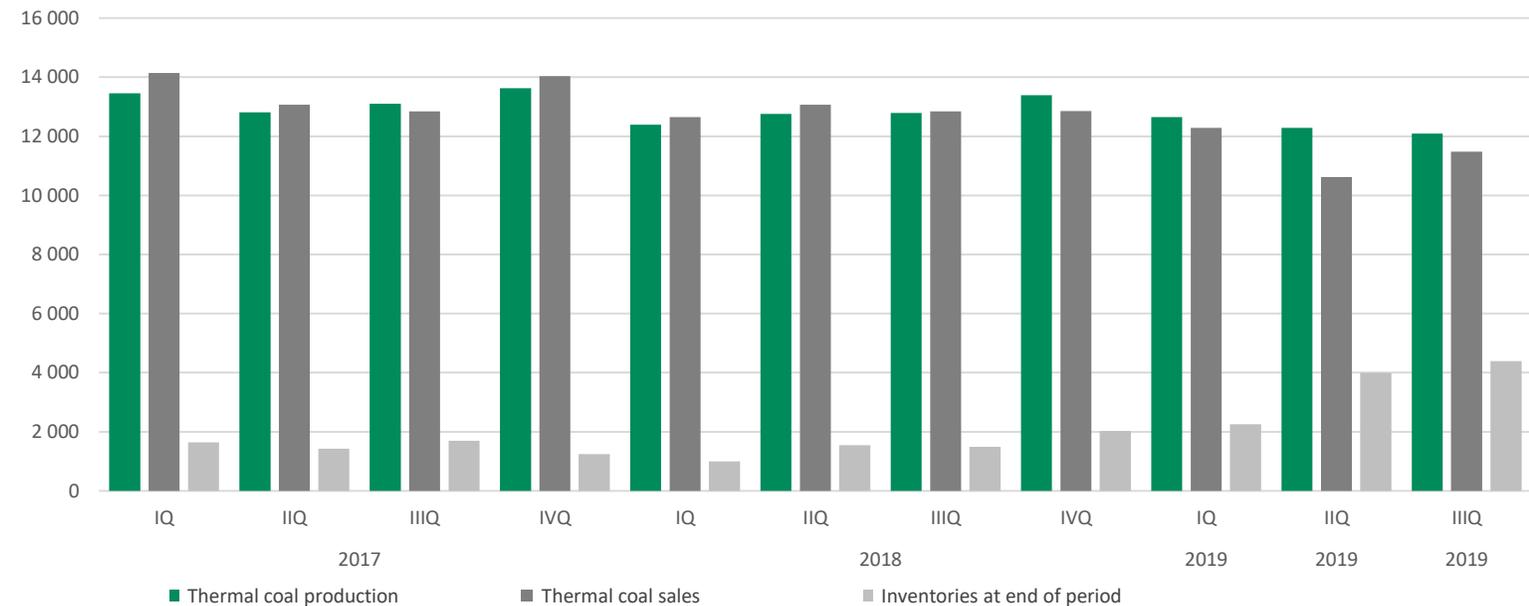
- in Q3 2019, the production of thermal coal amounted to about 12.0 million tonnes, which represents a decline of 6.3% y/y

Sales of thermal coal market in Poland

- sales in Q3 2019 amounted to about 11.5 million tonnes, including about 7.8 million tonnes of thermal fine coal sold to commercial power plants
- sales of thermal coal decreased by about 7.1% in comparison to Q3 2018

Inventories of coal in Poland

- as at the end of Q3 2019, thermal coal inventories were 4.4 million tonnes, which represents an increase of about 195.0% in comparison to the level recorded in Q3 2018 (1.5 million tonnes).





Production, sales and stocks of thermal coal at the end of Q3 2019 in the domestic market

Key customers of thermal coal in Poland

Commercial power plants are the main recipients of thermal coal in Poland. They bought about 7.8 million tonnes of thermal fine coal in Q3 2019. The most important customers from the commercial power industry are as follows:

- Tauron
- PGE
- Enea
- PGNiG
- ENGIE
- ENERGA

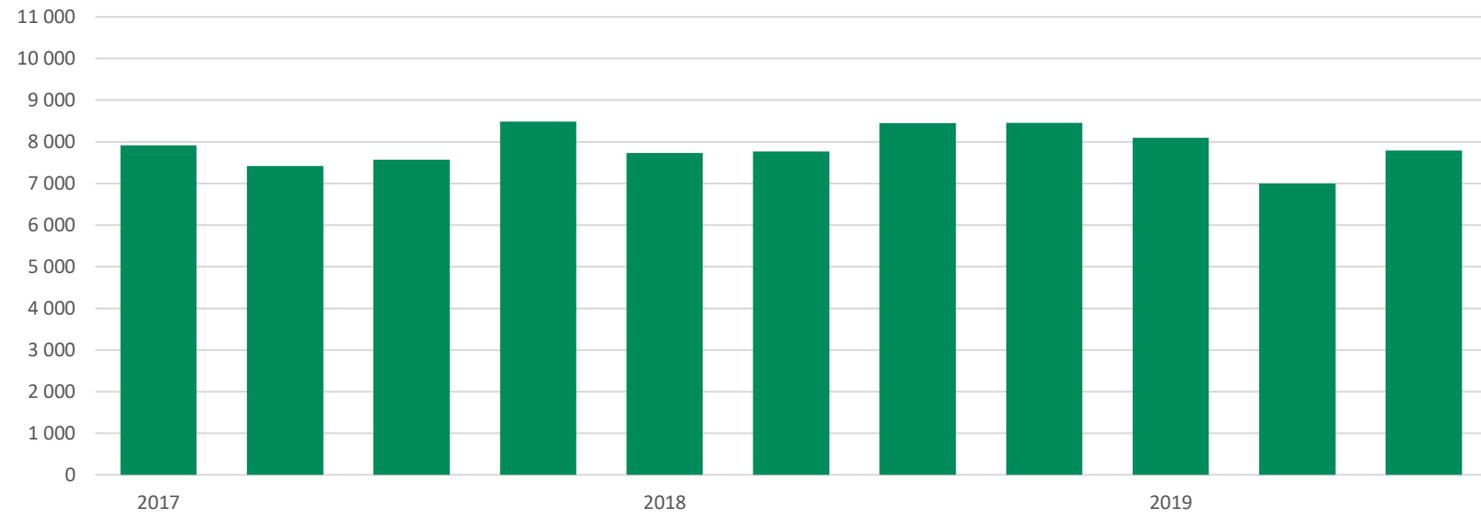
Sales of thermal coal market in Poland

In three quarters of 2019, about 30.7 million tonnes of thermal coal were sold in Poland. 29.4 million tonnes of coal were delivered to the domestic market, including 26.2 million tonnes of thermal fine coal.

Export of coal

In three quarters of 2019 about 1.9 million tonnes of coal were exported, including approx. 0.6 million tonnes of thermal fine coal, while in Q3 2019 export sales covered 0.3 million tonnes.

Thermal coal sales to commercial power plants





Electricity generation in Poland

Electricity generation - total

- In three quarters 2019, the production of electricity totalled about 118,351 GWh, which represents a decrease of 3.524 GWh (-2.9%) versus the same period of 2018.

Power generation from coal

- Coal was the main fuel used to produce electricity. In three quarters of 2019 it was used to produce 90,317 GWh, which was a decrease by 7,189 GWh (-7.4%) compared to three quarters of 2018.
- In three quarters 2019 coal accounted for 76.3% of total electricity production in Poland, but its share in the fuel mix went down by 7.4% in comparison with three quarters of 2018.

Power generation from hard coal

- Hard coal served for producing electricity of 58,607 GWh (down by 3.1% compared to three quarters 2018).

Power generation from lignite

- Lignite was used to produce 31,710 GWh of electricity (14.3% less than in three quarters of 2018).

Power generation by wind farms

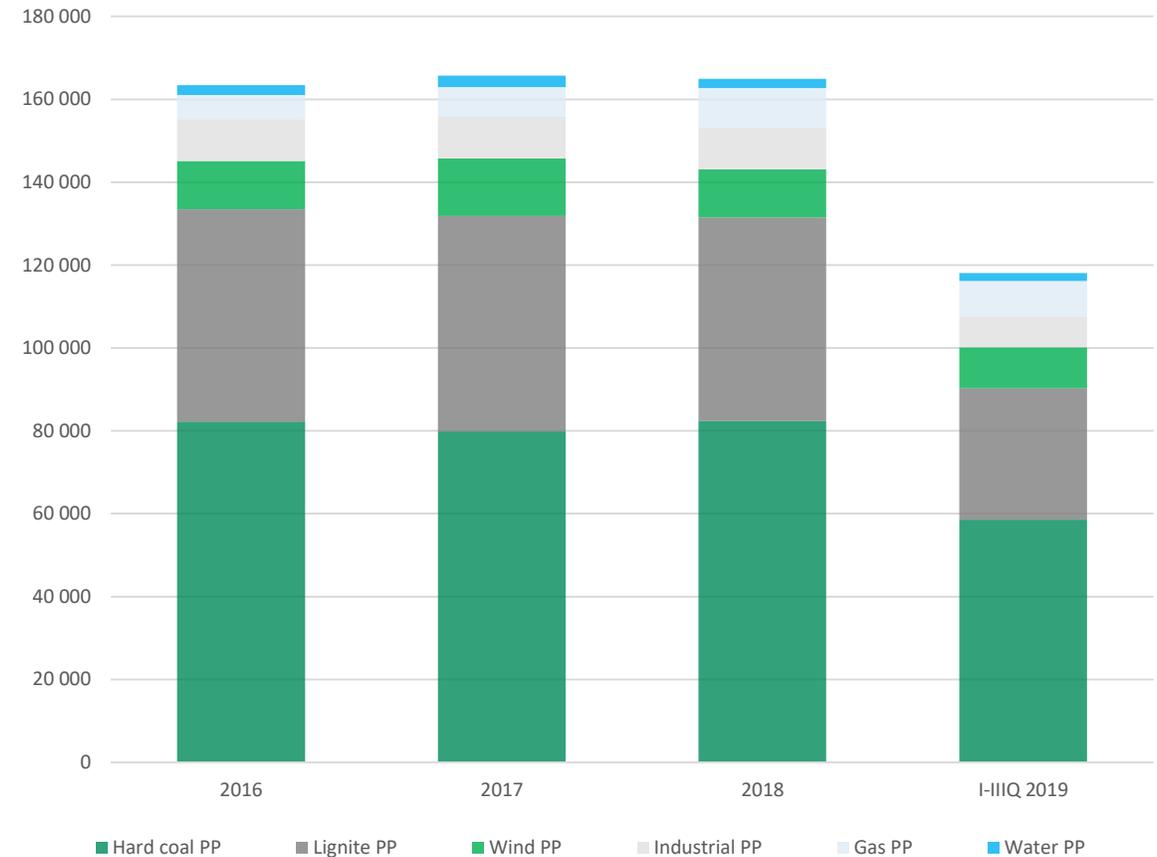
- Wind farms produced 9,863 GWh of electricity, which represents an increase by 23.6% in comparison with three quarters 2018.

Power generation by gas-fired power stations

- Gas power plants produced 8,515 GWh of electricity, which represents an increase by 18.0% compared to three quarters 2018.

Electricity consumption on the domestic market

- In three quarters 2019, the production of electricity totalled about 125,785 GWh, which represents a decrease of 829 GWh (-0.7%) versus the same period of 2018.





Description of factors which, in the assessment of the LW Bogdanka Group, will affect the results achieved by the Parent and its subsidiaries within at least the following quarter

A full description of risks connected with the Group's operations can be found in the Report for 2018. Below please find risk factors which the Group sees as the most important risk factors in the perspective of the following (the fourth) quarter.

Factors associated with the economic policy of the State in relation to the hard coal mining sector

Plans of the Ministry of Economy concerning enterprises operating in the hard coal mining and power engineering sector have a significant influence on the market position of the LW Bogdanka Group. An updated "Draft of Poland's energy policy until 2040" was adopted on 8 November 2019. The assumption of the draft is that Polish economy will continue to be based on hard coal. The annual consumption of hard coal in the commercial power sector will not increase, but due to higher demand for electricity the share of coal in the structure will change. The total share of coal in electricity production will stand at a level of approx. 56%-60% in 2030. These assumptions give a positive sales perspective, which thus means retaining the production level by the Group.

Factors associated with the levels of prices for raw materials for power production in Poland and the world

The prices of thermal coal and raw materials alternative to thermal coal (crude oil, natural gas,

renewable sources) are the main factors shaping the prices of raw materials on global markets, and consequently, on the domestic market. This is of key significance for the activities conducted by the Parent. Price increases in the international markets in the last two years were followed, from the beginning of 2019, by a price decline resulting primarily from the supply-and-demand situation of key customers of imported coal in Europe. In 2019, in the domestic market, the prices of thermal coal continued the increases which started in 2017, which was a consequence of a lower coal production by domestic mines. Production level and the demand-supply situation in Poland have stabilised therefore also stabilisation of coal prices should be expected.

Factors associated with the launch of extraction of new deposits at the Parent

A material aspect of the operations conducted by the Company is the necessity to secure future extraction possibilities by providing access to new coal resources.

Restriction of the mining capacity may shorten the life of the mining plant and/or reduce the assumed level of extraction of hard coal, and therefore decrease future financial results of LW Bogdanka S.A.

As a result of measures taken so far by LW Bogdanka S.A., in November 2017 a mining licence was obtained for the "Ostrów" deposit (Ludwin Mining Area), which allowed the held resources to be increased nearly two-fold and ensured raw materials base for the following years of the mine's operations. Concurrently LW Bogdanka S.A. strives to further secure resources located in the vicinity of the areas where it conducts mining activities. The Company's application for mining licence in the K-6, K-7 area is being processed in the Ministry of Environment. Analytic works (profitability analysis) regarding the project for providing access to deposits in the Ludwin Area.

Technical and technological factors

Extracting coal from underground seams is a complex process which is subject to strict technical and technological requirements. During such operations, various stoppages can occur due to planned and unplanned technical interruptions (e.g. malfunctions).

In this group of risks, there is also a risk of unexpected, usually local, deterioration of the quality of the deposit.

Countermeasures:

- availability of the infrastructure – the second mining shaft in Stefanów,
- system of underground coal storage reservoirs,
- raw coal reservoirs on the surface
- use of advanced mining equipment and machines
- research and development work aimed at increasing work productivity and safety.

Factors associated with a strong position of trade unions in the Group

Trade unions hold a significant position in the hard coal mining sector and play an important role in determining staff and payroll policy, frequently forcing renegotiations of wage policy through protest actions. As at the day of submitting this Report, six trade union organisations operate at the Group (there are four trade union organisations at LWB associating 64.4% of the employees). Strong position of the trade unions creates a risk that the costs of payroll may increase in the future in connection with negotiated wage agreements, and in consequence adversely affect financial results achieved by the LW Bogdanka Group. Furthermore, possible protests and/or strikes organised by the trade unions could affect the operating activities conducted by the LW Bogdanka Group.

Risk of difficulties in supplies performed through rail transport

Since mid-2017 a comprehensive modernisation of railway line No. 7 (sections Lublin – Puławy and Dęblin – Pilawa) has been underway; therefore the recipients of the Parent's coal will be forced to use alternative railway routes. While line No. 7 is closed, the rail transport is directed mainly via line No. 30 and lines Nos. 66 and 69. The change of the routes and the necessity to use diesel rail vehicles for the transport will result in lengthening the delivery times thus adversely affecting the logistics processes. According to the press release issued by PKP Polskie Linie Kolejowe S.A., on 2 October 2018 the company demanded the contractor, Astaldi S.p.A together with consortium members, to resume works under the contract for modernisation of railway line No. 7 in the Dęblin – Lublin section, which was related to the earlier withdrawal of the contractor from these works. Astaldi S.p.A and consortium members however failed to resume works under the abovementioned contract following the demand made on 2 October 2018, therefore on 5 October 2018 PKP Polskie Linie Kolejowe S.A. made a statement on withdrawal from the contract for the reasons attributable to consortium members. In the press release dated 29 March 2019, PKP Polskie Linie Kolejowe S.A. announced that it had signed with Budimex and Track Tec Construction agreements to continue works in the Dęblin-Lublin section.

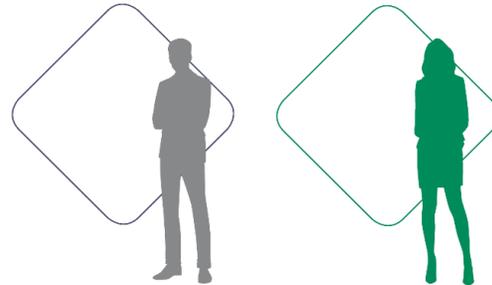


Workforce changes

Employment at the Group

Three quarters of 2019 brought a 4.4% increase in employment in the Group (comparing to three quarters of 2018). The highest increase (in %) in FTJs was recorded in RG Bogdanka sp. z o.o., which is a result of transferring employees from MR Bogdanka sp. z o.o.

Comparing the workforce at the end of H1 2019 to the level of employment at the end of Q3 2019, it has increased by 34.1 FTJs.



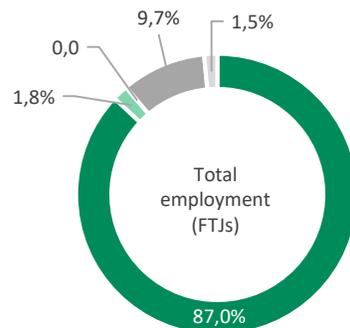
Workforce of the Parent

At the end of Q3 2019 the personnel employed at the Parent accounted for 87.0% of total employment in the Group.

Blue-collar workers accounted for 84.3% of all employees. In comparison with three quarters 2018 the number of underground staff went up by 141.0 workers, i.e. 4.1%.

Underground personnel constituted the main group employed in LW Bogdanka S.A., i.e. 73.4%.

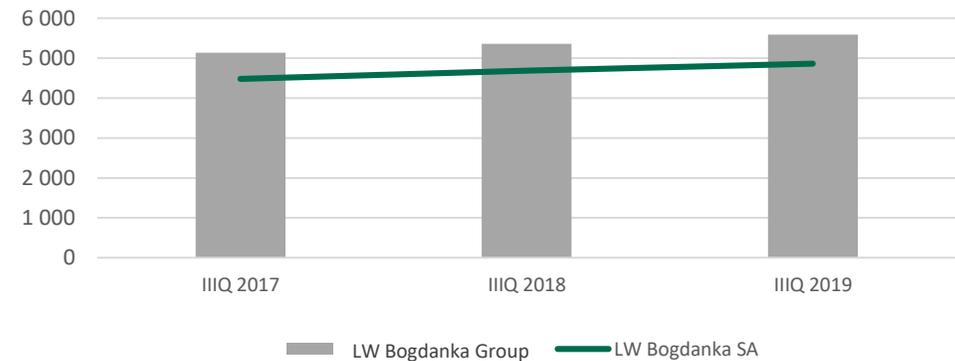
In Q3 2019, 86 employees were hired to LW BOGDANKA S.A., while 61 employees left the Company.



Workforce structure at the LWB Group broken down into companies

- LW Bogdanka SA
- Łęczyńska Energetyka sp. z o.o.
- EkoTrans sp. z o.o.
- RG Bogdanka sp. z o.o.
- MR Bogdanka sp. z o.o.

Employment (FTJs)	30 Sep. 2018	30 Jun. 2019	30 Sep. 2019	Workforce structure at the Group	Change Q3 2019 / Q3 2018	Change Q3 2019 / Q2 2019
	Total					
Total workers	4,018.0	4,087.0	4,099.0	-	2.0%	0.3%
Underground workers	3,071.0	3,145.0	3,151.0	-	2.6%	0.2%
Surface workers	947.0	942.0	948.0	-	0.1%	0.6%
Full-time employees underground	356.0	408.0	417.0	-	17.1%	2.2%
Full-time employees on the surface	307.0	340.9	345.0	-	12.4%	1.2%
Total underground	3,427.0	3,553.0	3,568.0	-	4.1%	0.4%
LW Bogdanka S.A.	4,681.0	4,835.9	4,861.0	87.0%	3.8%	0.5%
RG Bogdanka sp. z o.o.	342.0	526.6	541.0	9.7%	58.2%	2.7%
MR Bogdanka sp. z o.o.	231.2	88.5	84.5	1.5%	-63.5%	-4.5%
EkoTrans Bogdanka sp. z o.o.	1.0	1.0	1.0	0.0%	0.0%	0.0%
Łęczyńska Energetyka sp. z o.o.	96.5	99.5	98.1	1.8%	1.7%	-1.4%
LW Bogdanka Group	5,351.7	5,551.5	5,585.6	100.0%	4.4%	0.6%



Social matters

The dominant values cherished by the LW Bogdanka Group are as follows: honesty, professionalism and responsibility. These values ensure the harmonious development of the Company, which pursues its economic goals in line with social expectations and environmental requirements.

Since 2018 the Company has been implementing the "Corporate Social Responsibility Strategy for 2018-2021"; the preparation process of the Strategy followed a cycle of dialogue sessions with key stakeholders of the Company based on the AA1000 standard (March 2018). The updated approach to social responsibility management may be defined in a nutshell as an "Increase in the Company's value and the development of the local community based on the principles of sustainable growth, transparency and education for various groups".

Key goals of the Strategy include:

- Ensure the highest work safety level,
- Limit the impact of operations on the safety of local natural environment,
- Ensure safety and stimulate development of local community,
- Follow transparent and responsible management practices.



Management approach

The Integrated Enterprise Risk Management System (ERM) has been in place since January 2018. This system has been implemented as part of the integration process within the Enea Group, in line with the relevant regulations applicable in the Group, on the basis of applicable "Secondary Documents", including:

- Corporate Risk Management Policy at the Enea Group
- Corporate Risk Management Methodology at the ENEA Group.

Integrated Management System concerning the Quality Management System, Environment Management System as well as the Occupational Health and Safety Management System are in compliance with the following standards: ISO 9001:2015, ISO 14001:2015, PN-N-18001:2004. In 2018 a recertification audit took place at the Company, following which the team of auditors confirmed that the management system in place in LW Bogdanka S.A. operates efficiently, allows it to achieve the set objectives, ensures completion of the pursued policy and the ability to comply with legal, regulatory and contractual requirements. Strengths included the management's involvement in creating rules for the safe organisation of the workplaces and the use of new applications and IT systems.

Ethics, anti-discrimination and variety management

The applicable Code indicates ethical values and principles which should be followed at the Company and clearly describes potential conflict situations. It defines the required attitudes in connection with political neutrality, relations among employees, protection of Company's interests, non-competition, conflict of interest, and anti-bribery, anti-corruption, and discrimination. Every new employee is informed of the Code of Ethics and fills in a Conflict of Interest Report. Since 2018 applicable in the whole Group.

Diversity and openness are the underlying values of the HR policy, in line with the principle that managing the diversity contributes to development and attainment of business goals set by the Company.

Since 2015 "Supplier Code of Conduct of LW Bogdanka" has been in force at the Company. This document is a formal statement of certain rules which have for some time now been present in dealings with the representatives of suppliers, and which mostly arise from the Code of Ethics. It is intended to contribute to ensuring the transparency of management practices and effective management of responsibility in the supply chain. It regulates issues related to:

- observance of the law, including respect for human rights,
- prevention of discrimination,
- relations in the workplace,
- occupational health and safety,
- natural environment protection,

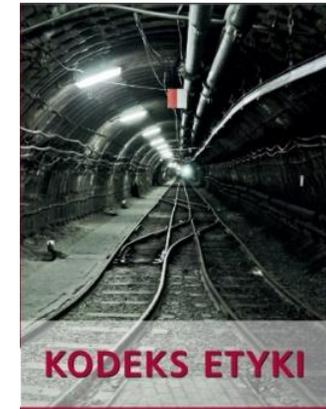
It is expected of the subcontractors working in LW Bogdanka S.A. that their employees comply with the Code of Ethics applicable at the Company.

In accordance with the rules laid down in the Code of Ethics, they also have a possibility of reporting potential irregularities and unethical behaviour. Irrespective of the above, they have for many years been obligatorily trained in health and safety procedures applicable on the Company premises.

LW Bogdanka SA undertakes many actions supporting the development of the local community. It cooperates with vocational schools by introducing dedicated internship and scholarship programmes and by providing technical support for the teaching staff. The cooperation also covers local educational and scientific institutions, taking care for the highest level of both formal education and non-formal learning. This includes promotion of health prevention - making local stakeholders join the organised or co-organised prophylactics events.

The area of social activities is regulated by the *Policy*

of social involvement of LW Bogdanka S.A., applicable since 2019, combining the donations fund and the social and cultural sponsorship, containing information on Bogdanka's priorities with respect to social cooperation, examples of supported activities or application recognition procedure.



From the very beginning of its existence, the LW Bogdanka Group has been supporting its immediate surroundings and the local community, inter alia, by subsidising a range of social initiatives, aimed at the development of the cultural, scientific, educational and health realm, construction of communal infrastructure, and answering other needs of the local community. The Group also sponsors sporting and cultural activity. In three quarters of 2019 the Parent gave donations and in-kind contributions for a total amount of PLN 351,700 towards the Lubartów Hospice, Children Friends Society or those in care of Caritas.



Social matters

Current initiatives

C-Zone Education – there is a dedicated educational zone at the mine, where the Company's employees provide the stakeholders (mainly children and youth) with the information about the traditions, customs and the characteristics of work at the mine.

Cooperation with the Occupational Therapy Workshop in Janowica, whose participants regularly display their artistic creation at the mine and during the Christmas season organise handicraft fair.

IQS - in May 2019, in partnership with the Institute of Education Research, LW Bogdanka S.A. organised a seminar entitled "QUALIFICATIONS OF THE FUTURE. INTEGRATED SYSTEM OF PROFESSIONAL QUALIFICATIONS IN THE MINING INDUSTRY".

The seminar was addressed to people and institutions involved in professional education and related to the mining industry.

IQS, that is the Integrated Qualifications System, is a system solution introduced with a view to improving the level of human capital in Poland by gathering, describing and organising all qualifications searched for on the job market in one, commonly available, register.

Bogdanka Socially Committed – in August the Company launched a programme under which LW Bogdanka's employees may bring initiatives and inform the Company of social organisations which are important for local community and, at the same time, address the needs of groups of external stakeholders of the Company. An employee may once a year receive up to PLN 3,500 to implement his or her initiative – the ideas are subject to assessment by a Team appointed by the Vice-President of the Management Board responsible for Employee and Social Affairs. In the first two months 24 initiatives were proposed. The programme's budget for 2019 amounts to PLN 70,000.



Effectiveness of safety management at the workplace

At LW Bogdanka S.A., matters related to occupational health and safety (OHS) management are part of the Integrated Health and Safety, Quality and Environment Management System at LW Bogdanka S.A. Several (facultative) OHS solutions were implemented or kept in place in order to improve employee safety at the Company. The most important solutions include: placement of telecardiographs for independent heart rate monitoring across the mine, ensuring availability of a defibrillator and "Kazik" machines for collection of personal protective equipment (PPE), and implementing the "Work Safety Improvement Programme - 2nd edition", which covers a number of measures and events to increase knowledge of OHS, support preventive action and promote initiative to improve the level of safety at the mine, including the "Safer Workplace" and prophylactic programmes.

The programme "Safer Workplace! - employee initiatives box" is a programme launched in January 2018 with the main assumption to enable employees to submit their own suggestions and ideas for improvements in the field of occupational health and safety. Importantly, the ideas do not have to be inventive and may concern various aspects of mine work. To submit an idea, a standard form must be completed, and then put in a special box or sent by e-mail. The proposals are assessed by a committee in a variable composition, appointed on the basis of an expert knowledge key by the Vice-President of the Management Board in charge of Employee and Social Affairs. The initiatives which are positively assessed and approved of by the Management Board are subsequently implemented.

Safety Week 2019 – the initiative of established position in LW Bogdanka's calendar, focusing on the subjects of occupational safety and safety outside work. This year such events as presentations of equipment, personal protection means, consultations with manufactures of that equipment as well as shows and simulations of accidents took place. Furthermore, health supporting activities were added to the programme in the form of stands where basic prophylactic examinations could be done. Approximately 200 people participated in the programme. The programme is based on the concept that care for employees health is an investment in raising the staff's efficiency and loyalty.



The Solidary Miners Foundation

The Solidary Miners Foundation which operates at the LW Bogdanka Group addresses the needs of the Company's mining environment and the needs of the local mining environment.

The Foundation provides help to miners in need (e.g. following an accident), and to miners' families that for various reasons have found themselves in difficult life circumstances, especially those who suffer from poverty or those who need ad-hoc support. The Foundation also responds to the needs of children raised in dysfunctional and poor families. The Foundation supports and promotes the development of talented young people from the local community. In Autumn 2016 the Foundation obtained the status of a public benefit organisation, which proves its strong commitment and effectiveness when it comes to accomplishing social benefit objectives. This has enabled the remittance of 1% of tax to the Foundation.

by-laws, the Foundation has subsidised surgeries, medical procedures, treatment, and rehabilitation, purchase of medical equipment and devices (a wheelchair, equipment for testing vibrations, a defibrillator, a lift for a disabled person, barrier-free environment, etc.) and access-friendly infrastructure (such as bathrooms and barrier-free architecture) for the disabled. In Q3 2019 the Foundation spent PLN 336,552.36 for the objectives set out in the by-laws.





Social matters

Close to nature

Effective environmental management is based on the Integrated Health and Safety, Quality and Environment Management System. It complies with PN-EN ISO 9001:2015, PN-EN ISO 14001:2015, PN-N-18001:2004 and, additionally, as regards health and safety, with the British standard BS OHSAS 18001:2007.

Since 2015, the Company, in cooperation with the Polish Society for the Protection of Birds (OTOP), has promoted the new "Nadrybie" educational path. It runs around the Nadrybie Lake – and artificial reservoir created as a result of mining works. The "Nadrybie" path is located within the Łęczna Lake District Landscape Park, in an area with particular natural value which is protected by the Natura 2000 network.

With the signposts and the Guidebook it is easy for the interested individuals to navigate their way along the path. The place is very popular among the locals, especially primary school children, who appreciate its educational value, and the possibility of having a walk amidst nature. In the second half of 2019 the natural workshops organised by the Company were attended by almost 180 people.

Since 2018 the LW Bogdanka Group has been supporting OTOP in a project pursued with a view to strengthening south-eastern metapopulation of aquatic warbler by reshaping habitat conditions, appropriate for the birds, on previously inhabited areas or areas where this species may occur. The above will result in improving migration corridors of metapopulation of aquatic warbler in the Lublin province, creating and retaining the system of stepping stone habitats between the areas inhabited by the aquatic warbler and reinforcing main wildlife corridors, i.e. south-central and eastern ones.

As part of the projects the water level in the region of Krowie Bagno (in Polesie, in the vicinity of the former agricultural entity, PGR Krychów) were subject to regulation and stabilisation works. For this purpose, works are underway in order to install water gates on drainage ditches for the disappearing Łaskie lake and the molinion meadows in its direct neighbourhood. Plans include the construction of three water gates for meltwaters to be stopped and accumulated, and water to be stopped in the spring season and at the beginning of summer.



In the second half of 2019 the Company started cooperation with the Landscapes Foundation with a view to performing environmental, educational and social involvement activities.

The objective of the first project, "Beautiful Łęczna", is to create a unique plan for Łęczna, with due consideration for sustainable development in the management of the towns' greenery, and with an account taken of the opinions of dwellers, experts, and the representatives of the local self-government. It is pursued based on social research and educational workshops carried out by scientists from the Catholic University of Lublin. The workshops include consultations with experts in many fields, including: an arborist, a sculptor, a landscape architect, a gardener and experts in designing cyclist and pedestrian infrastructure.

The first meeting, which took place in the Łęczna Town Hall, was attended by almost 50 people. The objective of the second project, "Big trees for the Łęczna county" is to educate people on planting, the role in the ecosystem, and care of big mature trees in urban space; the project will be finalised by a show of planting two big trees. It is addressed to students of 15 local primary schools – through a "Friendly space – let's plant a big tree by our school" competition and public administration bodies, local architects, landscape architects and persons responsible for maintaining urban greenery. One tree will be planted in some public space in Łęczna, and one - by the winning school. Information materials for teachers were also developed, presenting a scenario of lessons of various subjects regarding the role of trees in the environment.



In September 2019 LW Bogdanka co-organised an "Ecology picnic with John Paul II" initiated by the Gaudium et Spes Foundation. Animators of the picnic organised games, plays and other educational activities thus providing knowledge on ecology and methods and ways of taking care of our planet. A recyclable waste collection action was organised during the picnic and everyone who participated in the action received a sapling; a competition entitled "You can be a biologist too" was carried out. As part of the cooperation with the Gaudium et Spes Foundation, the Company's representatives took part in a conference: "Beauty of this land makes me call for its preservation for future generations", where they presented LW Bogdanka's environmental activities and those related to social responsibility.





3

Financial standing



Production, sales and inventories of coal

Production, sales of commercial coal of the Company

['000 tonnes]	Q3 2018	Q3 2019 /	Change	Change %	Q1-Q3 2018	Q1-Q3 2019	Change	Change %
Gross coal extraction	3,727	3,564	-163	-4.4%	11,312	10,971	-341	-3.0%
Production of commercial coal	2,302	2,302	0	0.0%	6,820	7,127	307	4.5%
Yield (%)	61.8%	64.6%	2.8 p.p.	4.5%	60.3%	65.0%	4.7 p.p.	7.8%
Sale of commercial coal	2,447	2,291	-156	-6.4%	6,788	7,061	273	4.0%
New excavations (km)	8.9	7.5	-1.4	-15.7%	28.6	21.7	-6.9	-24.1%

Inventories of commercial coal of the Company

['000 tonnes]	30 Sep. 2018	31 Dec. 2018	30 Sep. 2019	Change [%] 30 Sep. 2019 / 31 Dec. 2018	Change [%] 30 Sep. 2019 / 30 Sep. 2018
Inventories of coal	57	88	153	73.9%	168.4%

Structure of commercial coal production

[%]	Q3 2018	Q3 2019 /	Q1-Q3 2018	Q1-Q3 2019
Fine coal	98.3%	99.2%	98.8%	99.3%
Nut coal	0.4%	0.0%	0.2%	0.0%
Pea coal	1.3%	0.8%	1.0%	0.7%
Total	100.0%	100.0%	100.0%	100.0%

Production of coal

- (-) gross extraction of coal in 3Qs of 2019 decreased by 3.0%, i.e. 341,000 tonnes.
- (+) production of commercial coal in 3Qs 2019 was 7,127,000 tonnes, i.e. more by 307,000 tonnes than in the same period of 2018
- (+) The finance costs for the three quarters of 2019 was 65.0% compared to 60.3% in the same period of 2018.
- (+) good mix of the walls, high yield.

Sale of coal

- (+) In Q3 2019, the sales of coal dropped by 6.4% compared to Q3 2018.
- (+) In 3Qs 2019 the sales of commercial coal amounted to 7,061,000 tonnes, i.e. by 4.0% more than in the same period of 2018
- (+) the dynamic increase in revenue was boosted by the price increase.

Inventories

- (+) at the end of Q3 2019, the level of coal inventories amounted to 153,000 tonnes, which means an increase by 65,000 tonnes compared to the level as at 31 December 2018
- (+) the level of coal inventories presented at the end of Q3 2019 corresponds approximately to 5 days of commercial coal production (on the basis of average daily production for 12 months)
- (+) the achieved level of inventories of coal is a result of the coal production and realised coal sales
- (+) the level of inventories allows the mine to operate safely in the event of problems with coal removal.

Structure of commercial coal production

- (+) higher share of the production of fine coal sold to industrial customers
- (-) lower share of nut coal and pea coal in the production structure (assortment for individual customers) – in relation to the Regulation of the Minister of Energy of 27 September 2018 on the quality requirements for solid fuels, the Company is obliged to provide customers with a certificate of coal quality, which involves higher costs and lower profitability. This led to reducing sales to retail customers.



Revenue and key customers of the LW Bogdanka Group

Dynamics of changes in product range with respect to revenue

[PLN '000]	Q3 2018	Q3 2019 /	Change	Change %	Q1-Q3 2018	Q1-Q3 2019	Change	Change %
Sale of coal	467,757	518,050	50,293	10.8%	1,299,855	1,590,019	290,164	22.3%
Other activities	7,177	6,004	-1,173	-16.3%	21,898	22,269	371	1.7%
Sale of goods and materials	4,751	3,722	-1,029	-21.7%	13,884	13,824	-60	-0.4%
Total	479,685	527,776	48,091	10.0%	1,335,637	1,626,112	290,475	21.7%

Structure of revenue

[%]	Q3 2018	Q3 2019 /	Q1-Q3 2018	Q1-Q3 2019
Sale of coal	97.5%	98.2%	97.4%	97.8%
Other activities	1.5%	1.1%	1.6%	1.4%
Sale of goods and materials	1.0%	0.7%	1.0%	0.8%
Total	100.0%	100.0%	100.0%	100.0%

Geographical structure of revenue

[PLN '000]	Q3 2018	Structure	Q3 2019 /	Structure	Q1-Q3 2018	Structure	Q1-Q3 2019	Structure
Domestic sales	479,649	100.0%	527,776	100.0%	1,335,528	100.0%	1,626,075	100.0%
Foreign sales	35.7	0.0%	0.0	0.0%	109	0.0%	36.7	0.0%
Total	479,685	100.0%	527,776	100.0%	1,335,637	100.0%	1,626,112	100.0%

Geographical structure of revenue

The activities of the Group are primarily concentrated in Poland. In Q3 2019 and in three quarters of 2019 the exports of goods and products included primarily sale of coal. In the whole third quarter of 2019 the share of exports in the total revenue was 0.003% (PLN 36,700), while in 2018 the figure was 0.01% (PLN 109,000).

Revenue

(+) in Q3 2019, the Group generated revenue in the amount of PLN 527,776,000, which represents an increase by 10.0% compared to Q3 2018

(+) in 3Qs 2019 revenue was PLN 1,626,112,000 compared to PLN 1,335,637,000 in the analogous period of 2018, which means an increase in revenue by 21.7% y/y.

The main source of revenue of the LW Bogdanka Group is the production and sale of thermal coal by the Parent. In each of the compared reporting periods this activity generates approx. 97%-98% of the LW Bogdanka Group's revenue.

Revenue on other operations

In Q3 2019 revenue on other operations (which includes revenue of subsidiaries) were PLN 6,004,000 (1.1% of total revenue), compared to PLN 7,177,000 (1.5% of revenue) in the analogous period of 2018 (down by 16.3% y/y). A significant share in that group of revenue was held by:

- revenue from services of coal transport provided by the Issuer for the benefit of some customers
- revenue generated by Łęczyńska Energetyka from the sale of heat energy to third parties
- revenue on industrial services provided to companies performing works contracted by the Parent
- revenue on lease of non-current assets.

In 3Qs 2019, revenue on other operations was PLN 22,269,000 compared to PLN 21,898,000 for the previous year. The increase in revenue in this group is related to higher revenue of subsidiaries from services provided outside the LW Bogdanka Group.

Lower value of revenue on sales of goods and materials is a consequence of lower scrap sales (i.e. lining recovered from closing galleries, which cannot be regenerated and reused).

Key customers

More than 94% of coal sales (in terms of value) in three quarters 2019 was effected between LW Bogdanka S.A. and Enea Wytwarzanie sp. z o.o., Enea Elektrownia Połaniec S.A., ENERGA Elektrownie Ostrołęka S.A., PGE Paliwa and Grupa Azoty Zakłady Azotowe Puławy S.A.

In 2018 the share of the above customers was similar.

Key customers by share in revenue:

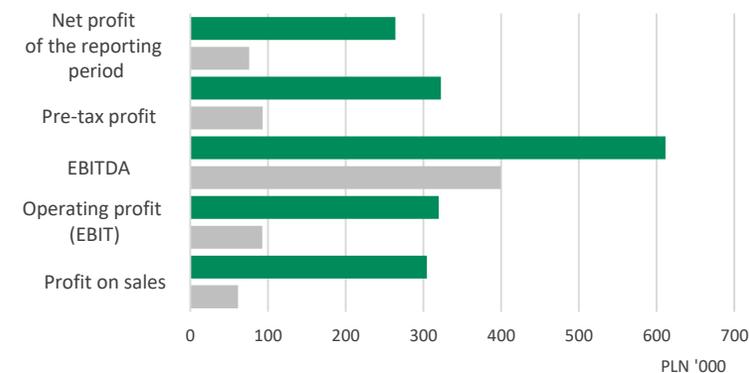
- Enea Wytwarzanie sp. z o.o. – Enea Group – approx. 63% of share in the revenue
- Enea Elektrownia Połaniec S.A. – Enea Group – approx. 19% share in the revenue



Financial highlights of the LW Bogdanka Group

Analysis of the consolidated income statement

[PLN '000]	Q3 2018	Q3 2019 /	Change	Q1-Q3 2018	Q1-Q3 2019	Change
Revenue	479,685	527,776	10.0%	1,335,637	1,626,112	21.7%
Costs of products, goods and materials sold, selling costs and administrative expenses	465,191	447,564	-3.8%	1,274,194	1,321,771	3.7%
Profit on sales	14,494	80,212	453.4%	61,443	304,341	395.3%
Gross sales margin	3.0%	15.2%	12.2 p.p.	4.6%	18.7%	14.1 p.p.
Other income	465	756	62.6%	30,825	3,286	-89.3%
Other costs	320	237	-25.9%	1,076	713	-33.7%
Net operating profit	14,639	80,731	451.5%	91,192	306,914	236.6%
Other profits/(losses) - net	-64	-2,859	4,367.2%	1,421	12,765	798.3%
Operating profit (EBIT)	14,575	77,872	434.3%	92,613	319,679	245.2%
EBIT margin	3.0%	14.8%	11.8 p.p.	6.9%	19.7%	12.8 p.p.
EBITDA	120,823	176,927	46.4%	399,445	611,346	53.0%
EBITDA margin	25.2%	33.5%	8.3 p.p.	29.9%	37.6%	7.7 p.p.
Finance income	1,710	2,507	46.6%	11,851	10,806	-8.8%
Finance costs	3,068	940	-69.4%	11,597	7,969	-31.3%
Profit before taxation	13,217	79,439	501.0%	92,867	322,516	247.3%
Pre-tax profit margin	2.8%	15.1%	12.3 p.p.	7.0%	19.8%	12.8 p.p.
Income tax	3,557	13,408	276.9%	16,854	58,562	247.5%
Net profit for the financial year	9,660	66,031	583.6%	76,013	263,954	247.2%
Net sales margin	2.0%	12.5%	10.5 p.p.	5.7%	16.2%	10.5 p.p.



■ I-IIIQ 2019 ■ I-IIIQ 2018



Financial highlights LW Bogdanka Group

Revenue

The value of revenue for Q3 2019 went up by 10.0% compared to the same period of the previous year and amounted to PLN 527,776,000. During three quarters 2019 the LW Bogdanka Group generated revenue at a level of PLN 1,626,112,000 compared to PLN 1,335,637,000 in the same period of 2018 (increase by 21.7%).

Costs of products, goods and materials sold, selling costs and administrative expenses

In Q3 2019 costs of products, goods and materials sold plus selling costs and administrative expenses amounted to PLN 447,564,000, i.e. they went down by 17,627,000 compared to the same period of the previous year (PLN 465,191,000). At the end of the third quarter of 2019 the cost of products, goods and materials sold as well as selling costs and administrative expenses decreased by PLN 47,577,000 comparing to the Q3 2018 figure and amounted to PLN 1,321,771,000 (Q1-Q3 2019) towards PLN 1,274,194,000 (Q1-Q3 2018).

Profit on sales

In Q3 2019 profit on sales amounted to PLN 80,212,000, while in the same period of 2018 profit on sales was recorded and amounted to PLN 14,494,000. In three quarters of 2019 the Group generated profit on sales in the amount of PLN 304,341,000, versus PLN 61,443,000 in the same period of 2018.

Other income

In Q3 2019 other income amounted to PLN 756,000 compared to PLN 465,000 a year before. In three quarters of 2018 other income amounted to PLN 30,825,000 with the dominant item being the settlement of the Parent with the consortium of

Mostostal Warszawa S.A. and Acciona Infraestructuras (positive impact on the result of PLN 28,666,000).

Other costs and other profit / (loss) - net

Other costs after three quarters of 2019 amounted to PLN 713,000 while in the same period of 2018 the figure was PLN 1,076,000 – a dominant item in both periods were damages paid and donations granted. Other net losses in the third quarter of 2019 amounted to PLN 2,859,000 compared to PLN 64,000 in the third quarter of 2018 – which means an increase by PLN 2,795,000.

Other net profit in three quarters of 2019 amounted to PLN 12,765,000 compared to PLN 1,421,000 in three quarters of 2018 (in relation to a release of a provision for disputable claim of the Social Security Institution (ZUS)).

EBIT

Operating result in Q3 2019 amounted to PLN 77,872,000. EBIT margin in Q3 2019 was 14.8%, i.e. it was higher by 11.8 p.p. than in the third quarter of the previous year. EBIT margin for three quarters of 2019 was higher by 12.8 p.p. compared to the third quarter of 2018, and accounted for 19.7%.

EBITDA

EBITDA in the third quarter of 2019 went up by 46.4% compared to the third quarter of 2018 and amounted to PLN 176,927,000. EBITDA margin in Q3 2019 equalled 33.5%, which shows an increase compared to the same period of 2018.

In three quarters 2019 the Group achieved an EBITDA margin of 37.6%, i.e. 7.7 p.p. more year on year compared to the same period of 2018 (EBITDA amount increased by 53.0% in the analysed period). In the analysed period, EBITDA amounted to PLN 611,346,000, compared to PLN 399,445,000 in 2018.

Finance income

Finance income in Q3 2019 amounted to PLN 2,507,000 (+46.6% y/y). For three quarters

of 2019 finance income was PLN 10,806,000 (-8.8% y/y). The drop in finance income in three quarters of 2019 is primarily attributable to:

- drop in interest income on short-term bank deposits,
- release in 2018 of the provision for interest on income tax (PLN 3,578,000),
- release in 2018 of the provision for potential interest on liabilities towards the Mostostal Warszawa S.A. and Acciona Infraestructuras Consortium (PLN 2,753,000).
- release in 2019 of the provision for interest on disputable claim of the Social Security Institution (ZUS).

Finance costs

In Q3 2019 finance costs amounted to PLN 940,000 and were lower by 69.4% than the costs in the same period of 2018. The finance cost for three quarters of 2019 amounted to PLN 7,969,000 compared to PLN 11,597,000 in the same period 2018 (decrease by 31.3%). As at 30 September 2019 total debt of the Group amounted to PLN 14,842,000, compared to the Group's debt of PLN 17,142,000 as at 31 December 2018.

Profit before taxation

In Q3 2019 the Group recorded pre-tax profit of PLN 79,439,000 compared to the profit of PLN 13,217,000 in Q3 2018.

Profit before taxation for three quarters of 2019 amounted to PLN 322,516,000 against PLN 92,867,000 in the same period of 2018.

Net profit for the financial year

In Q3 2019 the Group achieved net profit of PLN 66,031,000 compared to PLN 9,660,000 in Q3 2018. The net profit of the Group for three quarters of 2019 was PLN 263,954,000 compared to PLN 76,013,000 in the analogous period of the previous financial year.





Balance sheet of the LW Bogdanka Group

Balance sheet [PLN '000]	31 Dec. 2018	30 Sep. 2019	Change
Total assets	3,933,351	4,169,541	6.0%
Return on Assets (ROA)*	1.3%	6.0%	4.7 p.p.
Non-current assets	3,463,822	3,467,216	0.1%
Current assets	469,529	702,325	49.6%
Equity	2,950,116	3,187,927	8.1%
Return on Equity (ROE)*	1.8%	7.9%	6.1 p.p.
Provisions and liabilities	983,235	981,614	-0.2%

* the calculations include net result for the last four quarters and an average level of assets and equity (as at 30 September 2019 + as at 31 December 2018)/2

Assets

The balance-sheet total as at 30 September 2019 compared to the value as at 31 December 2018 went up by PLN 236,190,000 and amounted to PLN 4,169,541,000, with non-current assets going up by PLN 3,394,000 and current assets going up by PLN 232,796,000. Within current assets, the value of trade and other receivables went up by 39.0%, inventories - by 46.4%, and cash and cash equivalents - by 74.2%.

As at 30 September 2019 the ROA figure was 6.0%, while as at the end of 2018 it was 1.3%.

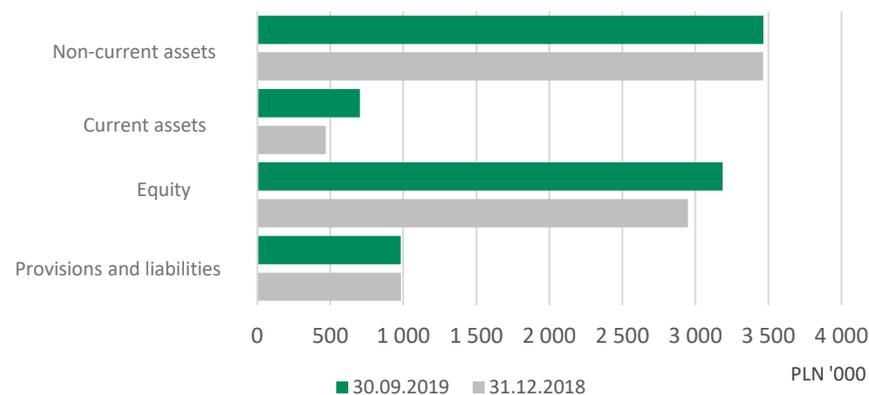
Equity and liabilities

The equity went up by 8.1%. It was solely an effect of the comprehensive income generated for three quarters 2019.

Provisions and liabilities went down by 0.2% compared to the value as at 31 December 2018, with current liabilities going down by 9.0% (drop was recorded mainly in provisions for other liabilities and charges, trade and other liabilities, while liabilities on account of current income tax increased).

At 30 September 2019 an increase in return on equity was recorded (by 6.1 p.p.) compared to the end of 2018. The value of the ratio as at 30 September 2019 was 7.9% compared to 1.8% as at 31 December 2018.

Analysis of the consolidated statement of financial position



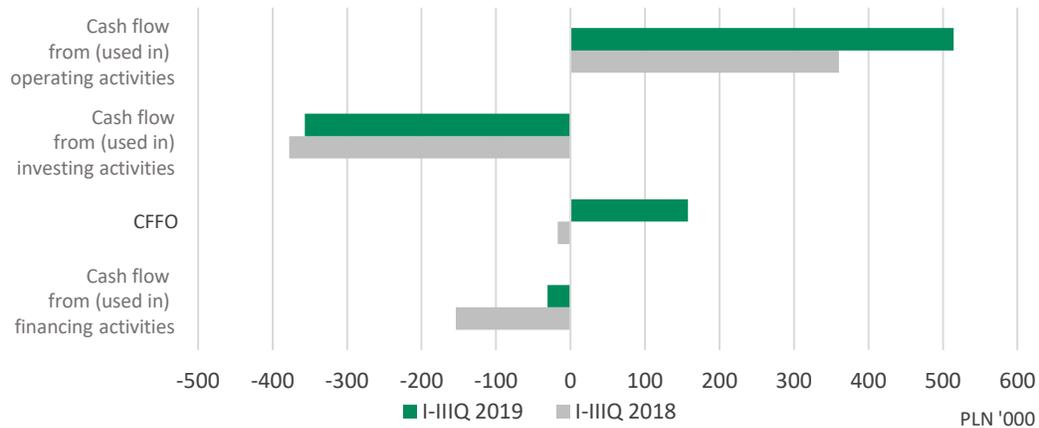


Cash flow LW Bogdanka Group

Cash flow

[PLN '000]	Q3 2018	Q3 2019 /	Change	Q1-Q3 2018	Q1-Q3 2019	Change
Cash flow from (used in) operating activities	144,345	180,938	25.4%	360,239	514,474	42.8%
Cash flow from (used in) investing activities	-20,428	-118,864	481.9%	-377,476	-356,766	-5.5%
CFFO*	123,917	62,074	-49.9%	-17,237	157,708	-
Cash flow from (used in) financing activities	-75,949	-27,092	-64.3%	-153,835	-31,051	-79.8%

*total cash flow from operating and investing activity



In the third quarter of 2019 the Group generated net cash flow from operating activities higher by 25.4% than in the third quarter of 2018 - in 2019 it amounted to PLN 180,938,000 compared to PLN 144,345,000 a year before). During three quarters of 2019 the LW Bogdanka Group generated cash flow from operating activities of PLN 514,474,000 (+42.8% y/y). The increase by PLN 154,235,000 in cash flow from operating activities (PLN 514,474,000 in three quarters of 2019 compared to PLN 360,239,000 in three quarters of 2018) is primarily related to the increase in the pre-tax profit/loss. The pre-tax profit/loss for three quarters 2018 amounted to PLN 92,867,000, and in the same period of 2019 the figure was PLN 322,516,000, which represents a year-to-year change of PLN 229,649,000.

Cash flow from investing activities increased (in absolute terms) in Q3 2019 by 481.9% (to PLN -118,864,000) compared to the same period of 2018. During three quarters of 2019, cash flow from investing activities were lower by 5.5% in comparison to the cash flow in the same period of the previous year.

In Q3 2019, the Group recorded negative cash flow from financing activities of PLN 27,092,000 (dividend of PLN 25,510,000 was paid, loans of PLN 759,000 were repaid, interest of PLN 87,000 was paid, and liabilities under financial lease agreements of PLN 736,000 were paid). In three quarters of 2019, the Group recorded negative cash flow from financing activities of PLN 31,051,000 (dividend of PLN 25,510,000 was paid, loans of PLN 2,277,000 were repaid, interest of PLN 499,000 was paid, and liabilities under financial lease agreements of PLN 2,765,000 were paid).





Debt and liquidity ratios LW Bogdanka Group

The Company presents selected APM indicators, as in its opinion they are the source of additional (with respect to data presented in the financial statements) and valuable information on financial and operating standing, and make it easier to analyse and assess the Company's results achieved during various reporting periods.

The Company presents these specific alternative measurements of results as they are standard indicators commonly used in financial analyses. The selection of alternative measurements followed an analysis of their usefulness as far as providing investors with useful information on financial standing, cash flows and financial efficiency is concerned, and the Company believes they allow the achieved financial results to be well assessed.

Cash flow

[PLN '000]	31 Dec. 2018	30 Sep. 2019	Change
Overall debt ratio	25.0%	23.5%	-1.5 p.p.
Ratio (debt plus employee liabilities)/EBITDA	0.39	0.28	-28.2%
Net debt ratio/EBITDA*	-0.33	-0.41	24.2%
Debt to equity ratio	33.3%	30.8%	-2.5 p.p.
Fixed capital to non-current assets ratio (non-current assets/fixed capital)	97.1%	104.5%	7.4 p.p.
Current debt ratio (current liabilities/equity and liabilities)	11.4%	9.8%	-1.6 p.p.
Non-current debt ratio (non-current liabilities/equity and liabilities)	13.6%	13.8%	0.2 p.p.

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

	31 Dec. 2018	30 Sep. 2019	Change
Current liquidity ratio	1.28	1.89	47.7%
Quick liquidity ratio	1.05	1.56	48.6%

In the period covered by the consolidated financial statements, the liquidity ratios of the Group remained at a safe, high level, and the Group is not having any difficulties in settling its liabilities.

Overall debt ratio

The overall debt ratio as at 30 September 2019 went down by 1.5 p.p. compared to 31 December 2018 and reached 23.5% - the share of provisions for other liabilities and charges dropped.

The level of the Group's debts as at 30 September 2019 did not pose any risk to the Group's operation and its ability to settle liabilities in a timely manner. The Group's financial needs are subject to medium-term and long-term analyses in order to secure liquidity and cash at proper levels.

Ratio debt plus employee liabilities/EBITDA

The ratio describing debt to EBITDA at the end of Q3 2019 dropped by 28.2% to 0.28. When comparing data as at 30 September 2019 to data as at 31 December 2018, an increase was recorded both in debt and EBITDA (cumulatively for the last four quarters), but the increase in EBITDA was higher than that of debt.

Ratio net debt/EBITDA

The ratio describing the relation of net debt (the total of current and non-current liabilities less cash and equivalents) to EBITDA dropped from the level of -0.33 as at 31 December 2018 to -0.41 as at 30 September 2019. The value of net debt dropped by ca. PLN 130 million and amounted to PLN -282 million with EBITDA going up by ca. PLN 212 million (EBITDA cumulatively for the last four quarters).

Debt to equity ratio

Debt to equity ratio as at 30 September 2019 decreased in relation to 31 December 2018 by 2.5 p.p. and was 30.8% - liabilities dropped by ca. PLN 1.6 million and equity increases by ca. PLN 238 million.

Fixed capital to non-current assets ratio

The fixed capital to non-current assets ratio was 104.5% (as at 30 September 2019) compared to 97.1% (as at 31 December 2018) - in the analysed period the value of non-current assets increased by approx. PLN 3.4 million and fixed capitals (equity plus non-current liabilities less provisions), by approx. PLN 262 million.



Turnover ratios at the LW Bogdanka Group

Turnover ratios

			31 Dec. 2018	30 Sep. 2019	Change
1. Inventory turnover	$\frac{\text{average inventories}}{\text{costs of goods, products and materials sold}} \times$	days in the period	17	23	35.3%
2. Debtors collection rate*	$\frac{\text{Average receivables}}{\text{revenue}} \times$	days in the period	43	41	-4.7%
3. Creditors payment rate**	$\frac{\text{average liabilities}}{\text{costs of goods, products and materials sold}} \times$	days in the period	74	74	0.0%
4. Operating cycle	1+2		60	64	6.7%
5. Cash conversion cycle	4-3		-14	-10	-28.6%

* Trade and other receivables

** Trade and other liabilities

Inventory turnover

The inventory turnover as at 30 September 2019 went up to 23 days, compared 31 December 2018. Disposal of inventories takes on average 6 days more.

Debtors collection rate

The debtors collection rate (calculated on the basis of the balance-sheet item "Trade and other receivables") was 41 days (as at 30 September 2019), compared to 43 days (as at 31 December 2018). In the period under analysis, average receivables grew by approx. PLN 47 million, with the revenue going down by approx. PLN 131 million.

Creditors payment rate

The creditors payment rate (calculated on the basis of the balance sheet item "Trade and other liabilities") in the period covered by financial information did not change compared to the end of 2018 and is 74 days. In the period under analysis, the Group had a higher average level of current trade creditors (by approx. PLN 6 million) with lower costs of products, goods and materials sold (by ca. PLN 373 million).

Operating cycle

The operating cycle for current assets (a sum of inventory turnover and debtors collection rate) in the analysed period lengthened to 64 days. On average after 64 days, the Group's current assets are converted into cash.

Cash conversion cycle

The consequence of the above trends, the cash conversion cycle as at 30 September 2019 was 10 days. The negative value of the cash conversion cycle means that the Group uses trade credit (financing with the non-interest-bearing borrowed capital).



Provisions of the LW Bogdanka Group

Balance-sheet provisions [PLN '000]	As at 30 Sep. 2018	As at 31 Dec. 2018	As at 30 Sep. 2019	Change Q3 2019/ Q3 2018	Change Q3 2019/ 31 Dec. 2018
Employee provisions	158,499	165,156	174,616	10.2%	5.7%
Provision for real property tax	48,925	41,431	19,250	-60.7%	-53.5%
Provision for the mine closure costs and land reclamation	124,905	124,207	138,791	11.1%	11.7%
Mining damage	3,450	3,184	2,498	-27.6%	-21.5%
Provision for Social Insurance Institution (ZUS) claim for accident contributions	22,323	22,658	-	-	-
Other	12,153	11,883	12,420	2.2%	4.5%
Total	370,255	368,519	347,575	-6.1%	-5.7%

The total provisions as at 30 September 2019 amounted to PLN 347,575,000, which means a drop by 5.7% compared to the value as at 31 December 2018.

Changes in provisions [PLN '000]	Change Q3 2018	Change Q3 2019	Change Q3 2019/ Q3 2018	Change in Q1-Q3 2018	Change in Q1-Q3 2019	Change 2019/ 2018
Employee provisions	723	794	-3.5%	1,478	9,460	540.1%
Provision for real property tax	2,048	-26,797	-	6,572	-22,181	-
Provision for the mine closure costs and land reclamation	376	379	-0.8%	10,457	14,584	39.5%
Mining damage	-783	-458	41.5%	-984	-686	-30.3%
Provision for Social Insurance Institution (ZUS) claim for accident contributions	327	-	-100.0%	983	-22,658	-
Other	-212	266	-	-5,490	537	-
Total	2,479	-25,816	-	13,016	-20,944	-

Place where impact of the change in provisions is recognised in the consolidated financial statements

[PLN '000]	Change of provisions in Q1-Q3 2019	Change disclosed in operating activity (EBITDA)	Change disclosed below the result of operating activity - interest	Including: Change disclosed only in the balance sheet - increase in balance-sheet value of property, plant and equipment	Change disclosed in other comprehensive income	Change disclosed only in the balance-sheet — use of the provision
Employee provisions	9,460	22,332	3,127	-	781	-16,780
Provision for real property tax	-22,181	3,713	1782	-	-	-27,676
Provision for the mine closure costs and land reclamation	14,584	1,224	2,719	10,641	-	-
Mining damage	-686	-	-	-	-	-686
Provision for Social Insurance Institution (ZUS) claim for accident contributions	-22,658	-16,398	-6,260	-	-	-
Other	537	485	222	-	-	-170
Total	-20,944	11,356	1,590	10,641	781	-45,312

[PLN '000]	Change in provisions in Q1-Q3 2019	Change disclosed in operating activity (EBITDA)	Change disclosed below the result of operating activity - interest	Including: Change disclosed only in the balance sheet - increase in balance-sheet value of property, plant and equipment	Change disclosed in other comprehensive income	Change disclosed only in the balance-sheet — use of the provision
Employee provisions	794	5,137	1,027	-	-	-5,370
Provision for real property tax	-26,797	530	349	-	-	-27,676
Provision for the mine closure costs and land reclamation	379	406	907	-934	-	-
Mining damage	-458	-	-	-	-	-458
Provision for Social Insurance Institution (ZUS) claim for accident contributions	-	-	-	-	-	-
Other	266	256	73	-	-	-63
Total	-25,816	6,329	2,356	-934	-	-33,567



Costs in LW Bogdanka S.A.

Costs by type

[PLN '000]	Q3 2018	Q3 2019	Change	Q1-Q3 2018	Q1-Q3 2019	Change
Net production ['000 tonnes]	2,302	2,302	0.0%	6,820	7,127	4.5%
Sales ['000 tonnes]	2,447	2,291	-6.4%	6,788	7,061	4.0%
Amortisation	103,965	96,627	-7.1%	300,034	284,438	-5.2%
Materials and energy consumption	125,021	135,355	8.3%	414,652	380,524	-8.2%
Outsourced services	118,939	135,185	13.7%	359,790	391,629	8.8%
Employee benefits	123,316	153,386	24.4%	385,647	417,336	8.2%
Entertainment and advertising costs	3,736	3,221	-13.8%	6,997	6,427	-8.1%
Taxes, fees and charges	11,122	20,079	80.5%	30,682	41,226	34.4%
Other costs	534	690	29.2%	16,101	2,261	-86.0%
Total costs by type	486,633	544,543	11.9%	1,513,903	1,523,841	0.7%
Cost of own work	-61,996	-99,362	60.3%	-208,523	-225,383	8.1%
Accruals and deferrals	33,828	20,072	-40.7%	46,868	66,584	42.1%
Value of coal obtained from excavations	-26,234	-18,890	-28.0%	-87,690	-65,883	-24.9%
Provisions and other presentation adjustments between costs by type and by function	2,425	50	-97.9%	69	22,731	32,843.5%
Total production cost	434,656	446,413	2.7%	1,264,627	1,321,890	4.5%
Change in products	25,901	-2,013	-	-1,832	-10,441	469.9%
Costs of goods and materials sold	4,744	3,704	-21.9%	13,825	13,771	-0.4%
Own cost of sales, including:	465,301	448,104	-3.7%	1,276,620	1,325,220	3.8%
Costs of products, goods and materials sold	429,683	404,669	-5.8%	1,170,038	1,213,518	3.7%
Selling costs	11,931	10,351	-13.2%	32,735	28,286	-13.6%
Administrative expenses	23,687	33,084	39.7%	73,847	83,416	13.0%

Q3 2019

In Q3 2019, LW Bogdanka S.A. incurred costs by type in the amount of PLN 544,543,000 (PLN +57,910,000 y/y), i.e. by 11.9% higher than in Q3 2018. The increase in costs noted in Q3 2019 was largely influenced by higher consumption of materials and energy, outsourced services and employee benefits as well as taxes and charges.

The value of depreciation and amortisation went down by 7.1% (to PLN 96,627,000) – the value of natural depreciation and amortisation fell (approx. PLN 4.3 million), and, at the same time, the depreciation of the right-to-use-asset (lease) was disclosed (approx. PLN 0.8 million). Total cost of materials and energy consumption went up by 8.3% compared to Q3 2018, and totalled PLN 135,355,000.

In the period under analysis parts for repairs of coal-cutting machines and wall conveyors were purchased (PLN +PLN 6.0 million), and more reconstructions were performed (PLN +1.6 million).

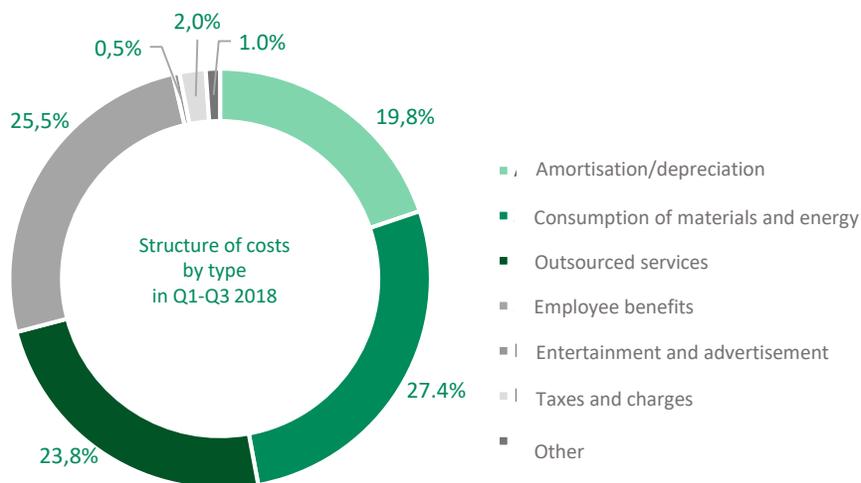
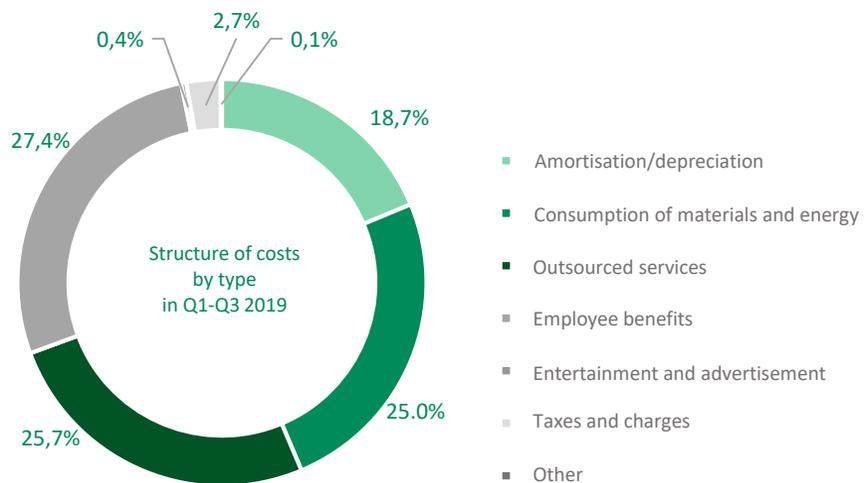
Compared to Q3 2018, the value of outsourced services in Q3 2019 went up from PLN 118,939,000 to PLN 135,185,000 (+13.7%). In the period under analysis, the Company primarily recorded increases in costs of work on Saturdays and Sundays (PLN +4.2 million), drilling and mining services (PLN +9.5 million), waste management (PLN +1.6 million) and other services (PLN +1.3 million), and decreases in auxiliary and workday works (PLN - 0.7 million), other mining services (PLN -1.3 million) and railway transport of coal (PLN -1.9 million).

In Q3 2019, compared to Q3 2018, the value of employee benefits increased by PLN 30,070,000.



Costs in LW Bogdanka S.A.

Costs by type



Q1-Q3 2019

During three quarters of 2019, LW Bogdanka S.A. incurred costs in the amount of PLN 1,523,841,000, i.e. by 0.7% (PLN +9,938,000) higher than in the same period of 2018. The increase in costs recorded in the analysed period was largely influenced by the increase in costs of outsourced services, employee benefits and taxes and charges.

The value of depreciation and amortisation went down by 5.2% (to PLN 284,438,000) – the value of depreciation of non-current assets and of natural depreciation went down. The drop in natural depreciation is a consequence of a lower gross extraction (by 341,000 tonnes).

The total value of costs of materials and energy used fell by 8.2% compared to the 3Qs 2018 and amounted to PLN 380,524,000. In the period under analysis, approx. 6.9 km less of excavations were made, the number of heading casing elements in use dropped (PLN -20 million), less parts were used for the JOY conveyor (PLN -4.5 million) and parts for the longwall coal-cutting machine and conveyor (PLN -9.0 million), less chains were used, rails for slackline cableways as well as cables and wires (PLN -8.9 million).

Compared to first three quarters of 2019, the value of external services in the same period of 2018 went up from PLN 359,790,000 to PLN 391,629,000 (+8.8%). In the period under analysis, the highest increases were recorded in the costs of:

- work on Saturdays and Sundays (PLN +11.8 million),
- auxiliary works on working days (PLN +3.5 million),
- drilling and redevelopment of existing excavations (PLN +15.8 million),
- services - reclamation (PLN +6.0 million),

In three quarters of 2019, compared the same period of 2018, the value of employee benefits increased by PLN 31,689,000. In the period under analysis increase was recorded primarily in salaries (PLN +23.5 million) and overheads (PLN +9.3 million) as a result of higher average employment and implementation of the employee retirement plan (PPE).

The expenses for entertainment and advertising remain at similar level and are related to the involvement of Lubelski Węgiel Bogdanka S.A. in a local sponsorship action, CSR promotion and social & cultural sponsorship activities.

The value of taxes, fees and charges paid in the analysed period of 2019 went up to PLN 41,226,000 from PLN 30,682,000 in the same period of 2018 – increases were recorded in the real property tax (PLN +8.8 million), service charge (PLN +1.2 million) as well as payments to the National Fund for the Disabled (PLN +0.7 million).

The value of other costs decreased from PLN 16,101,000 (3Qs 2018) to 2,261,000 (3Qs 2019) – in H1 2018 a new insurance policy was taken out with coverage of 18 months from the date of signing thereof.

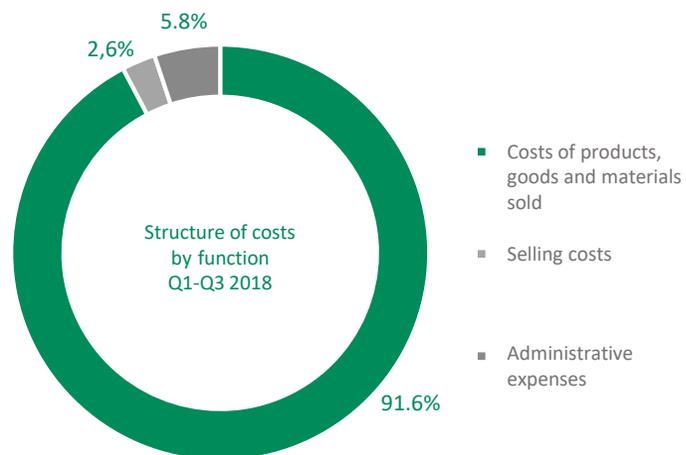
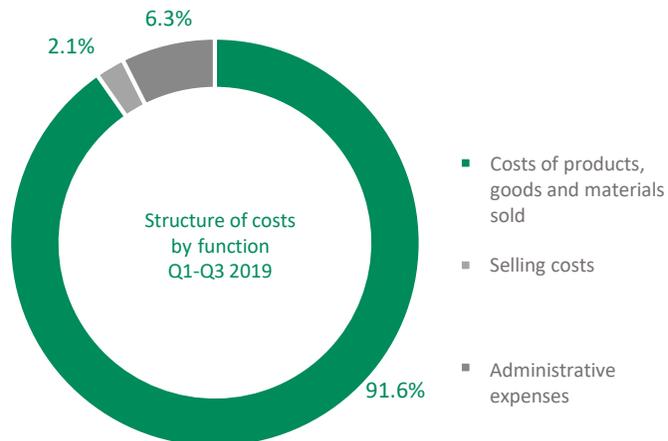
The result of an adjustment of costs by type by change in inventory of products and accruals and deferrals, the value of activities for the Company's own needs and the costs of goods and materials sold, will give own cost of sales for the three quarters of 2019 amounting to PLN 1,325,220,000. Comparing to the previous year, it is higher by 3.8%.

The changes presented in the group of costs by type had an impact on the change in the structure thereof. At the end of the third quarter of 2019 (compared to the same period of the previous year) the share of depreciation and amortisation costs went down (to 18.7%), decreases were also recorded in the share of materials and energy consumption (to 25.0%), hospitality and advertising costs (to 2.7%) and other costs (to 0.2%); increases were recorded in the share of outsourced services (to 25.7%), employee benefits (to 27.4%) as well as taxes and charges.



Costs in LW Bogdanka S.A.

Costs by function



Costs by function

The cost of own production sold (by function) in Q3 2019 amounted to PLN 448,104,000 while in the analogous period of the previous year, it was PLN 465,301,000.

Own cost of production sold (by function) for three quarters of 2019 was PLN 1,325,220,000 and was higher by 3.8% (PLN 48,600,000) than the cost incurred in analogous period of 2018.

[PLN '000]	Q3 2018	Q3 2019 /	Change	Q1-Q3 2018	Q1-Q3 2019	Change
Net production ['000 tonnes]	2,302	2,302	0.0%	6,820	7,127	4.5%
Sales ['000 tonnes]	2,447	2,291	-6.4%	6,788	7,061	4.0%
Costs of products, goods and materials sold	429,683	404,669	-5.8%	1,170,038	1,213,518	3.7%
Selling costs	11,931	10,351	-13.2%	32,735	28,286	-13.6%
Administrative expenses	23,687	33,084	39.7%	73,847	83,416	13.0%
Own cost of sales	465,301	448,104	-3.7%	1,276,620	1,325,220	3.8%



Other information with influence on the financial standing on the LW Bogdanka Group

Information on current and forecast economic and financial position of the LW Bogdanka Group with the assessment of financial resources management

The LW Bogdanka Group monitors on an ongoing basis the level of costs, ratios and the value of accumulated cash. Current debt (a loan from the Regional Environmental Protection Fund and Water Management for Łęczynska Energetyka), plus cash held, guarantee the financing on an on-going basis. Works are consistently conducted at the Parent to optimise the mining process (with respect to the applied technology, planned cutting of the deposit and access excavations for new deposits). All works (including new excavation planning, extraction and sale of commercial coal) take into account existing and future market risks. Works to prepare new excavations for operational exploitation are carried out in such a manner so as to ensure the continuity of extraction. International and domestic coal prices are monitored on an ongoing basis.

The LW Bogdanka Group pays its liabilities when due. The Group effectively manages its financial resources and, at the same time, deposits free funds with banks (for durations and in values determined on the basis of in-house financial forecasts). As at the date of drawing up the information, there are no premises indicating possible risk of not settling the contracted liabilities in future.

The Parent was well prepared for 2019. In 2018 a record-breaking scope of preparatory works was completed, therefore the estimated extraction in 2019 may amount to approx. 9.4 million tonnes, as announced in the Strategy.

When we combine the above with higher contractual prices, we will be able to positively assess prospects for 2019. The Group's priority, except for higher extraction, is making the Ostrów deposit available for exploitation, to be started in 2020 according to the Management Board (based on underground infrastructure).

Suppliers

The granting of contracts by entities conducting business activities involving mining hard coal for the purpose of conducting those business activities is subject to the provisions of law on sectoral public contracts. At the LW Bogdanka Group all procurement orders above the thresholds, as defined in the Public Procurement Law, are granted in compliance with the procedures specified in the abovementioned Act. Other orders are made based on procedures applied at the Group.

The principal suppliers for the LW Bogdanka Group include mainly companies that provide services and offer products characteristic for mining industry (drilling and reconstructions of excavations, output dump, as well as supply of support systems for longwall galleries, specialist mining machines and equipment) and ones that provide electricity. Between 1 January and 30 September 2019, the value of the turnover with any supplier did not exceed 10% of the Group's total revenue.

Investments and capital investments of LW Bogdanka Group

The value of cash held by the Group as at the end of September 2019 stood at PLN 423,258,000, of which:

- PLN 125,808,000 disclosed in non-current assets,
- PLN 297,450,000 is disclosed under current assets.

The amount of PLN 125,808,000 covers assets accumulated by the Parent in the Mine Closure Fund,

to be allocated for the coverage of costs of a mine closure (these resources are held in a bank deposit). The amount of PLN 297,450,000 includes financial resources (available cash) kept in short- and medium-term bank deposits (including overnight deposits) – the amount of deposited cash varies depending on internal income and expenditure forecasts. In accordance with the adopted Strategy, the Group maintains the amount of available cash at the levels equal to at least the value of average monthly sales revenue (1/12 of forecast annual sales revenue). The funds accumulated at the Parent amount to PLN 275,407,000, while the funds accumulated at subsidiaries amount to PLN 22,043,000 (primarily to Łęczynska Energetyka). In addition to cash, the Group also discloses in the balance sheet Other current investments worth PLN 68,000 concerning deposits with the initial maturity of more than 3 months.

Assessment of factors an untypical events affecting the operating profit

The only event that had a material impact on the Group's result in the period of nine months of 2019 was the judgement of the Supreme Court dated 4 April 2019 regarding the cassation appeal of the Social Insurance Institution (ZUS) in a dispute concerning accident contribution. Detailed description is contained in Note 4 of the Consolidated Quarterly Report for nine months ended on 30 September 2019.

Except for the above, during nine months of 2019 the Group did not see any untypical events, affecting its operating results.

Overview of significant off-balance sheet items of the LW Bogdanka Group in subjective, objective and value terms

Detailed description is provided in Note 10 of the Consolidated Quarterly Report for nine months ended on 30 September 2019.





Information on financial instruments, bonds

Information on derivative financial instruments

As at 30 September 2019, the Parent did not hold any open derivative financial instruments.

Bonds

As at 30 September 2019 the Parent did not have active agreement regarding bond issue and had no issued and unredeemed bonds.

Assessment of the Company's possibilities to enforce its investment plans

As at the date of this Report, LW Bogdanka S.A. sees no threat as to the possibility of acquiring additional debt financing, but points out to the risk that the costs of its acquisition and servicing may be higher than those currently incurred.

Position of the Management Board of LW Bogdanka S.A. regarding the possibility of achieving previously published forecasts for the year in question, in light of the results presented in the consolidated interim report as compared to the forecast results.

LW Bogdanka did not publish projections of financial results for 2019.

Rules governing the preparation of the Consolidated and Condensed Interim Financial Statements

Condensed interim consolidated financial statements of the LW Bogdanka Group for three quarters of 2019 were prepared in accordance with International Accounting Standard 34 - "Interim Financial Reporting". The financial statements were prepared using the same accounting principles for the current and comparative periods, except that IFRS 16 "Leases" was applied for the first time as of 1 January 2019. More information is contained in Note 2 of the Consolidated Quarterly Report of the LW Bogdanka Group for three quarters of 2019.

Material proceedings pending before: a court, the relevant authority for arbitration proceedings or a public administration authority

As of the date of preparing the Directors' Report on Operations of the Group for Q3 2019 LW Bogdanka and its subsidiaries were not parties to proceedings pending before a court, a relevant authority for arbitration proceedings or a public administration authority, concerning:

- liabilities or receivables of LW Bogdanka S.A. or its subsidiary, the value of which is material from the perspective of the LW Bogdanka Group,
- two or more proceedings related to liabilities and receivables, the value of which is material from the perspective of the LW Bogdanka Group.





Agreements concerning loans and borrowings



Information on loans granted

In Q3 2019 the Company did not contract or grant any loans or terminate any agreements concerning loans.

Information on sureties provided and received

In Q3 2019, LW Bogdanka S.A. and its subsidiaries did not grant (or receive) any sureties.

Guarantees granted by LW Bogdanka S.A.

In Q3 2019, LW Bogdanka S.A. and its subsidiaries did not grant any guarantees.

Guarantees received by LW Bogdanka S.A.

As at 30 September 2019, LW Bogdanka S.A. did not order banks to issue guarantees.

Transactions with related undertakings

During three quarters of 2019 the Parent and its subsidiaries did not conclude transactions with related entities which would be concluded on a basis other than an arm's length basis. Information about all agreements that are significant from the point of view of the Issuer's operations is published in the form of current reports available at <http://ri.lw.com.pl/raporty-biezace>.

For more information about agreements with the Enea Group and companies controlled by the State Treasury see Note 28 of the Consolidated Quarterly Report of the LW Bogdanka Group for three quarters of 2019.

Agreements concerning the subsidiaries' loans and borrowings

Łęczyńska Energetyka Sp. z o.o. continues the repayment of the loan granted in accordance with an agreement of 9 June 2014, Łęczyńska Energetyka sp. z o.o. was granted a loan (of PLN 26,580,000) by the Provincial Fund for Environmental Protection and Water Management (WFOŚiGW) in Lublin, which was allocated to financing the construction of the Water Treatment Station in Bogdanka, completed in February 2016. The loan bears interest of 0.7 of the rediscount rate set by the Monetary Policy Council, not less than 4.0% annually. In 2014-2016, 100% of the granted loan amount was used, and its repayment will be gradually performed until 31 July 2024.

Except for the above loan, between 1 January and 30 September 2019 Łęczyńska Energetyka sp. z o.o. did not use any third-party financing for its operations.

In Q3 2019 the subsidiaries: EkoTrans Bogdanka sp. z o.o., RG Bogdanka sp. z o.o., MR Bogdanka sp. z o.o., did not grant, incur or terminate agreements regarding credit facilities and loans.

In Q3 2019 the Company had one active loan agreement (amended by annex No. 1 concluded on 30 November 2018 and by annex No. 2 concluded on 16 October 2019).

Start date	End date	Lender	Amount of loan granted [PLN '000]	Interest rate	Debt (loans) as at 30 September 2019 [PLN '000]	Repayment period
16 December 2016	29 November 2019	mBank S.A.	100,000	WIBOR 1M + margin	-	Overdraft



Shares and
shareholding

4



Share capital and shareholding structure of LW Bogdanka S.A.

Share capital structure

The Company's share capital amounts to PLN 170,067,950 and is divided into 34,013,590 shares with a par value of PLN 5 per share.

On 4 January 2012, a total of 3,208,111 employee shares were introduced to the Warsaw Stock Exchange, and further 34,754 employee shares were introduced on 4 February 2013. The Company's public float totals 34,013,455 shares. As at the date of publishing this Report, the remaining 135 shares are registered shares.

The total number of votes resulting from all of the issued shares of the Issuer corresponds to the number of shares and equals 34,013,590 votes.

The Company has a strategic majority shareholder. The majority shareholder is the Enea Group which holds a majority block of shares which accounts for 66.0% of the shares in LW Bogdanka S.A.

(the majority shareholder's block of shares totals 22,448,834 shares, which corresponds to a nominal value of PLN 112,244,170). Other shareholders of the Issuer are mainly institutional investors in the form of pension and investment funds.

Treasury shares

In Q3 2019 LW Bogdanka S.A. and subsidiaries of LW Bogdanka S.A. did not acquire any treasury shares of the Company.

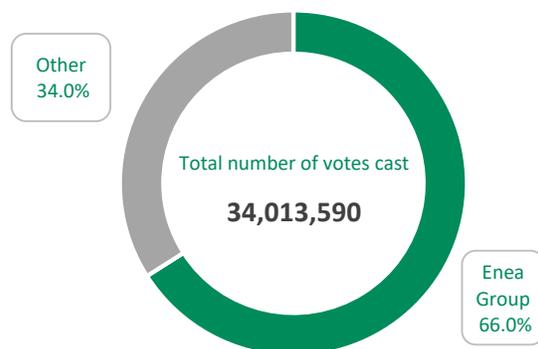
Changes in the shareholding structure by the date of the Report

According to the information of the Parent, no changes in the ownership structure of significant blocks of shares have occurred since the publication of the Consolidated Interim Report for H1 2019.

Shareholding structure

The graph below shows a shareholding structure of the Company as at 20 November 2019.

Shareholding of LW Bogdanka S.A. as at 20 November 2019

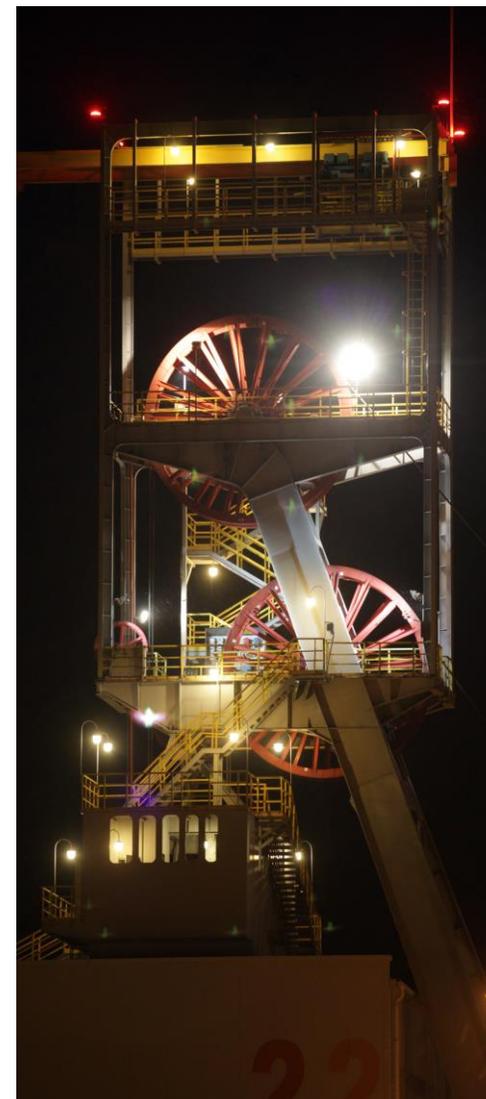


Participation of the LW Bogdanka's shares in indices

The Company was first listed on the Warsaw Stock exchange on 25 June 2009. During three quarters of 2019, LW Bogdanka S.A. made part of the following indices:

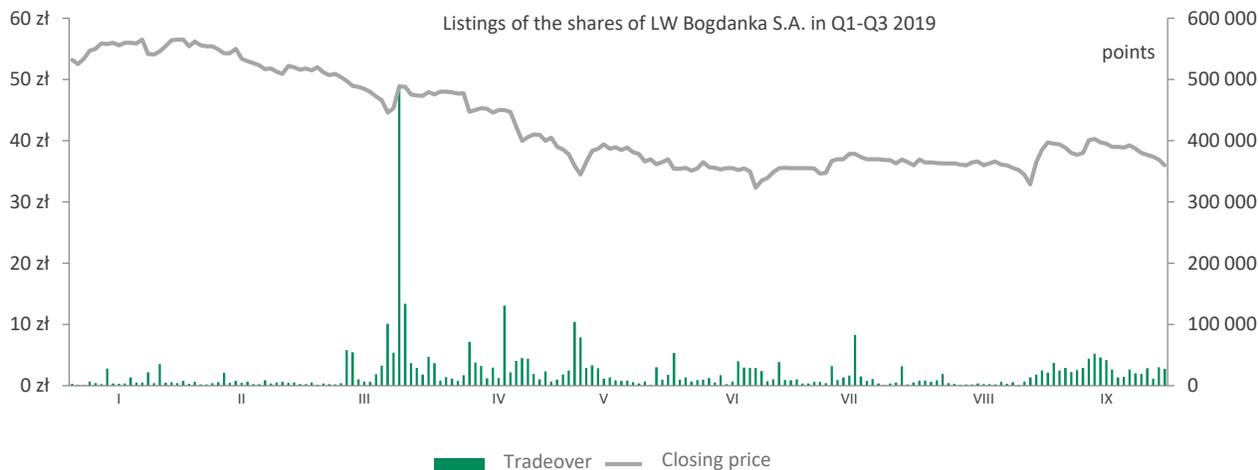
- WIG – includes all companies listed on the WSE Main Market that meet the baseline criteria of the participation in indices.
- mWIG40 – includes 40 medium-sized companies listed on the WSE Main Market. The Company has been present in this index since 18 December 2015;
- WIG Górnictwo – includes companies classified into the "Mining" sector (former name of the sector was "Raw Materials").
- WIG-Poland – includes only the shares of domestic companies listed on the WSE Main Market that meet the baseline criteria of participation in indices.
- WIGdiv – includes 30 companies that are in the top 150 in the index ranking (prepared on the basis of Resolution No. 871/2013 of the WSE Management Board, as amended) and show the highest dividend yield at the end of November each year and have paid dividends at least three times in the last 5 financial years.
- Respect Index – index of socially responsible companies.

WIG-GORNIC 2.65%	mWIG40 0.76%	InvestorMS 0.57%
RESPECT Index 0.32%	WIG 0.14%	WIG Poland 0.14%





Price performance of the shares of LW Bogdanka S.A. on the Warsaw Stock Exchange



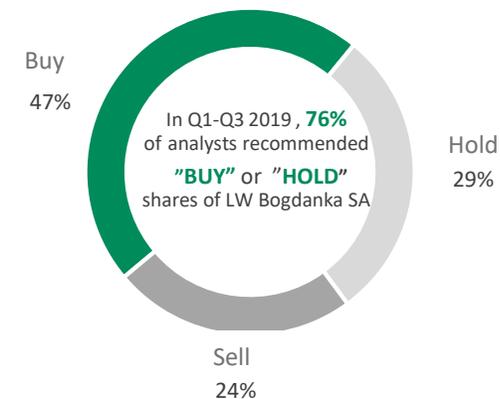
Key share indicators:

	Q1-Q3 2018	Q1-Q3 2019
Maximum price [PLN]	70.70	56.50
Minimum price [PLN]	45.20	32.30
Last price [PLN]	60.00	36.00
Average price [PLN]	56.99	42.78
Capitalisation at end of period [PLN million]	2,040.82	1,224.49
Book value [PLN million]	2,972.80	3,187.92
Price/earnings ratio	26.85	4.64
Price/book value	0.69	0.38
Average turnover per session [PLN '000]	779.0	866.7
Average volume per session	13,756	20,462
Number of shares in float [no. of shares]	34,013,590	34,013,590

Analysts' recommendations *

Date of Issue	Institution	Recommendation	Target price	Price on the date of issue
17 January	IPOPEMA Securities	Sell	PLN 48.39	PLN 60.71
21 January	Santander	Hold	PLN 62.70	PLN 56.50
30 January	Societe Generale	Hold	PLN 60.00	PLN 56.50
31 January	BOŚ DM	Buy	PLN 78.00	PLN 54.20
4 February	PKO BP Securities	Sell	PLN 50.00	PLN 55.60
21 February	Haitong	Buy	PLN 64.90	PLN 51.80
25 March	Santander	Hold	PLN 55.00	PLN 48.80
1 April	Societe Generale	Hold	PLN 51.00	PLN 48.00
8 April	PKO BP Securities	Sell	PLN 40.00	PLN 44.75
9 April	BOŚ DM	Buy	PLN 68.00	PLN 45.00
16 April	Vestor DM	Buy	PLN 60.00	PLN 45.00
23 April	IPOPEMA Securities	Sell	PLN 36.42	PLN 40.00
21 May	Santander	Buy	PLN 48.00	PLN 38.90
12 June	PEKAO IB	Buy	PLN 59.80	PLN 35.60
16 July	Ipopema	Buy	PLN 46,19	PLN 37,85
11 September	Santander	Buy	PLN 47,00	PLN 40,10
19 September	PKO BP Securities	Hold	PLN 41,00	PLN 38,90

*The above information is the summary of broker recommendation within the meaning of the Delegated Regulation of the Commission (EU) 20161958 dated 9 March 2016.





Shareholding structure

Holdings of shares in LW Bogdanka S.A. by members of the Company's bodies

Shares in related entities of the Company

Management Board and Supervisory Board Members do not hold shares in the Subsidiaries:

- Łęczyńska Energetyka sp. z o.o.
- EkoTRANS Bogdanka sp. z o.o.
- RG Bogdanka sp. z o.o.
- MR Bogdanka sp. z o.o.

Potential changes in the shareholding structure

On 4 July 2013, as part of the introduction of the Management Options Scheme at the Parent, the Annual General Shareholders Meeting of LW Bogdanka S.A. adopted Resolution No. 26 on the issue of up to 1,360,540 registered series A subscription warrants.

Apart from the above mentioned scheme, the Group is not aware of any agreements or events that would result in future changes in the proportion of shares held by the existing Shareholders.

In Q3 2018 the Parent and all beneficiaries of the Scheme (the persons to whom option may be granted) concluded arrangements under which Scheme participation agreements of the beneficiaries were terminated. Each beneficiary was paid compensation of PLN 1. Upon conclusion of the above arrangements the Management Options Scheme was ultimately closed.

Holdings of shares in LW Bogdanka S.A. as well as shares in related entities of the Company by the management and supervision personnel of LW Bogdanka S.A.

MANAGEMENT BOARD					
Name and surname	The number of the Company shares as of 20 November 2019	Par value of the shares (PLN)	The number of the Company shares as of 29 August 2019	Par value of the shares (PLN)	Number of shares in subsidiary companies
Artur Wasil	0	0	0	0	0
Dariusz Dumkiewicz	0	0	0	0	0
Artur Wasilewski	0	0	0	0	0
Adam Partyka	253	1,265	253	1,265	0
SUPERVISORY BOARD					
Name and surname	The number of the Company shares as of 20 November 2019	Par value of the shares (PLN)	The number of the Company shares as of 29 August 2019	Par value of the shares (PLN)	Number of shares in subsidiary companies
Mirosław Kowalik	0	0	0	0	0
Szymon Jankowski	0	0	0	0	0
Izabela Antczak-Bogajczyk	0	0	0	0	0
Ewa Nowaczyk	0	0	0	0	0
Kamil Patyra	0	0	0	0	0
Mariusz Romańczuk	0	0	0	0	0
Anna Spoz	0	0	0	0	0
Michał Stopyra	0	0	0	0	0
TOTAL	253	1,265	253	1,265	0

*As declared by Management Board and Supervisory Board Members of the Issuer



Governing bodies

5



Composition of the Management Board of LW Bogdanka S.A. as at 20 November 2019

On 15 May 2019, the Company's Supervisory Board adopted resolutions on the appointment, as of 19 June 2019, of the Management Board to the new term of office in the following composition:

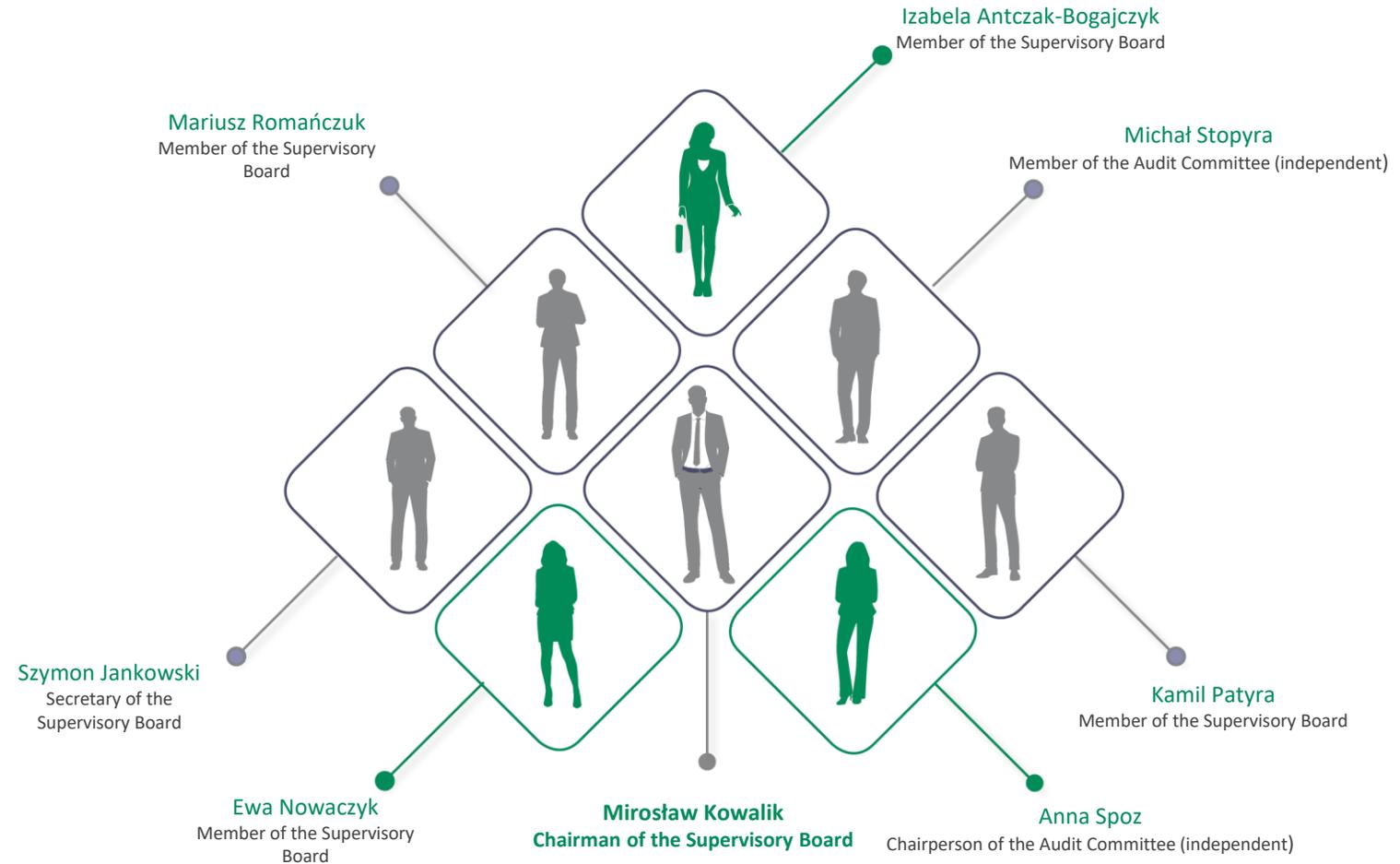
	<p>Artur Wasil President of the Management Board</p>	<p>Graduated in 2002 from the Faculty of Mining at the AGH University of Science and Technology in Krakow, with a degree in Mining and Geology, specialising in Mining Geotechnics. In 2002 he joined Lubelski Węgiel Bogdanka S.A. where he went through the levels of professional career from a trainee to a team foreman of extraction brigade. In 2012 Mr Wasil started work at PRG Linter S.A. where he performed the role of Mining Director, and in 2014 was appointed to the position of the President of the Management Board. Mr Artur Wasil also holds a post-graduate diploma in European Project Management and EU Law obtained at the Marie Curie-Skłodowska University in Lublin. On 21 March 2018 he took the position of the President of the Management Board of LW Bogdanka S.A.</p>
	<p>Artur Wasilewski Vice-President of the Management Board Economic and Legal Affairs</p>	<p>He graduated from the Lublin University of Technology in 1998 with a degree in Management and Marketing. In 2000 he completed postgraduate studies in Corporate Finance and Capital Market. In 2003 he graduated with a Master of Business Administration degree from Warsaw University & University of Illinois. He has participated in multiple training courses in the domains of finance and reporting according to the International Financial Reporting Standards (IFRS/IAS). He is a Member of Supervisory Boards of companies. In 1998-2000, he worked as a financial analyst at a consultancy firm DEMOS Sp. z o.o., gaining experience in the scope of analysis and price estimation of enterprises, consulting implementations of efficiency solutions, preparing privatisation reports for the Polish Ministry of Treasury. Since 2000 he has been part of Lubelski Węgiel BOGDANKA S.A. Within the Company, he has climbed the career ladder from Financial Analyst, Manager of Planning and Analysis to Chief Economist. Since 2013 he served as the Controlling Director and in 2018 he took the position of Controlling and Finance Director. Since October 2018, Vice-President of the Management Board, Economic and Financial Affairs of LW Bogdanka S.A.</p>
	<p>Adam Partyka Vice-President of the Management Board, Employee and Social Affairs</p>	<p>He obtained an M.Sc. degree from the Lublin University of Technology where he studied computer science application in engineering. He also completed post-graduate studies at the University College of Enterprise and Administration in Lublin with major in finance and accounting. He has completed a number of training courses in the following fields: audit, responsibility and competence of management personnel, finance for managers, as well as courses for members of management boards and supervisory boards of companies. He has been related to LW Bogdanka S.A. since 1985. From June 2014 he held the position of the Deputy Chairman of the "Solidarity" Trade Union. Between 2007 and 2014 he was a shift foreman responsible for electrical equipment underground. Between 2006 and 2012 he was a member of the Supervisory Board of LW Bogdanka S.A. On 1 April 2016 he became Vice-President of the Management Board, Employee and Social Affairs at LW Bogdanka S.A.</p>
	<p>Dariusz Dumkiewicz Vice-President of the Management Board Development</p>	<p>Graduate of the Faculty of Law and Administration at the Marie Curie Skłodowska University in Lublin, from which he graduated in 2002 with a degree in law. He has also completed postgraduate programme in "Project Management and EU Law" arranged by UMCS and the Lublin Development Foundation. In 2018 he completed his Master of Business Administration degree at the Lublin University of Technology. Mr Dariusz Dumkiewicz has 16 years' work experience in leading development and investment projects. From 2002 to 2006 he was employed in managerial positions at the City Council of Lublin, where he managed EU-financed projects. In 2006 he performed the role of advisor to the Minister in the Ministry of Labour and Social Policy as well as an expert in the area of Development of Eastern Poland in the Ministry of Development. In 2007 he was made Director of the Department of Strategy and Development in the Marshall's Office of the Lublin Province. He was responsible for negotiations with the European Commission and financing strategic infrastructure investment projects for the province. Since 2008 he was a Member of the Management Board, Vice-President of consulting firms that provide advice to enterprises, primarily in the energy sector. In 2016 he took the position of Head of Lublin Branch of PSG sp. z o.o., the distributor of natural gas in the Górnictwo Naftowe i Gazownictwo S.A. Group. Since 15 October 2018 - Vice-President of the Management Board responsible for Development at LW Bogdanka S.A.</p>



Composition of the Supervisory Board of LW Bogdanka S.A. as at 20 November 2019

Changes in the composition of the Supervisory Board

On 25 July 2019 the composition of the Supervisory Board changed. The Extraordinary General Shareholders Meeting of LW Bogdanka S.A. removed Mr Przemysław Krasadomski from the Company's Supervisory Board and appointed Ms Izabela Antczak-Bogajczyk on his place.





Composition of the Company's Supervisory Board as at 20 November 2019

Mirosław Kowalik

Mirosław Kowalik has been present in the energy sector for more than 20 years. He has held management positions on operational and strategic levels. In 2015 he managed SNC Lavalin Sp. z o.o. Polska as a Vice-President of the Management Board and Director for Business Development. Between 1999 and 2015, he held various managerial positions within the ALSTOM Power Group, including his most recent role as the Sales and Marketing Director. Between 1995 and 1998, he worked for ABB. On 7 January 2016 he was appointed to the position of the President of the Management Board of Enea S.A.

Mirosław Kowalik is a graduate of the Faculty of Electrical Engineering at the Gdynia Maritime University. He completed MBA studies in management (programme of the Rotterdam School of Management in cooperation with the University of Gdańsk and the Gdańsk Foundation for Management Development), and was given the title of Executive Master of Business Administration. He has also completed post-graduate studies in corporate finance management at the Warsaw School of Economics. He is currently pursuing the Executive Doctor of Business Administration programme at the Institute of Economics of the Polish Academy of Sciences.

Izabela Antczak-Bogajczyk

Graduated with honours from the Faculty of Law and Administration of the Adam Mickiewicz University in Poznań. She holds the title of attorney-at-law and is entered into the Register of Attorneys-At-Law of the Poznań Bar Association. She attended numerous legal, financial and economic courses and conferences.

She has many years of experience in the area of economic life. She provided services to both business entities and natural persons, cooperated with public health care facilities, and supported consumer organisations.

She joined the ENEA Group in 2009 as attorney-at-law for ENEA Operator sp. z o.o., where she dealt with

issues related to the Polish energy market, including issues concerning the functioning of distribution system operators. Next, she joined ENEA Centrum sp. z o.o. and ENEA S.A. in the capacity of attorney-at-law. She has held the position of the Manager of Legal Services Office of ENEA S.A. since 2017. She was a Member of the Supervisory Board of ENEA Serwis sp. z o.o. from January 2018 to July 2019.

Szymon Jankowski

Szymon Jankowski graduated from the Academy of Economics in Poznań (currently Poznań University of Economics), where he completed studies in management and marketing at the Faculty of Management. He is also a graduate of post-graduate studies at the Poznań University of Economics in commercial law, as well as post-graduate studies at the WSB University in Poznań in renewable energy sources. He further developed his qualifications through training courses in corporate governance and corporate financial analysis. He also successfully completed a course for candidates for members of Supervisory Boards in State Treasury companies, and obtained the relevant diploma.

Szymon Jankowski has been present in the professional power sector for more than 21 years. He started his career in 1994 in Rejon Dystrybucji Leszno (Leszno Distribution Region) owned by Energetyka Poznańska S.A., and worked there until 1999 as the head of finance and accounting team. Since 1999 until now, he has worked in various corporate governance positions within the ENEA Group, recently as the Corporate Governance Coordinator. He has experience in supervising companies in the energy, service and IT sectors. He has seated in Supervisory Boards in such companies as Enea Operator sp. z o.o., Enea Centrum sp. z o.o., BHU S.A., Energetyka Poznańska Zakład Transportu sp. z o.o., and ITSERWIS sp. z o.o.

Ewa Nowaczyk

Ewa Nowaczyk graduated from the Academy of Economics in Poznań (currently Poznań University of Economics), where he completed studies in management and marketing at the Faculty of Management. She also completed the Post-Graduate Studies of the Polish and International Accounting Standards at the Poznań University of Economics.

In 2007 she successfully completed a course for candidates for members of Supervisory Boards in State Treasury companies, and obtained the relevant diploma. She has worked for Enea S.A. since 2003, starting at the Finance Department. Ewa Nowaczyk is currently employed with Enea Centrum sp. z o.o. as an Advisor to the Director of the Financial and Accounting Department. She has experience in supervising companies - she has seated in Supervisory Boards in such companies as Energetyka Poznańska Zakład Transportu sp. z o.o., Szpital Uzdrawiskowy ENERGETYK sp. z o.o.

Kamil Patyra

Kamil Patyra graduated in Administration at the Faculty of Law and Administration of Maria Curie-Skłodowska University in Lublin. He joined LW Bogdanka S.A. in 2004 as underground machine and device repairer. In 2015 he was appointed as Company Social Labour Inspector.

Mariusz Romańczuk

Mariusz Romańczuk graduated in Mining and Geology, with specialisation in Underground Mining of Mineral Resources and Underground Mining, from the AGH University of Science and Technology in Krakow. He has worked for LW Bogdanka S.A. since 1989. Currently, he holds the position of Deputy Manager of Blasting Team, Division Foreman.

Anna Spoz

Anna Spoz graduated from Nicolaus Copernicus University in Torun. She has an MA in Management and Marketing from the Faculty of Economics and Management. She obtained her PhD in economics at the Faculty of Economics of Marie Curie Skłodowska University (UMCS) in Lublin. She completed postgraduate studies at UMCS and participated in numerous courses and conferences in the fields of accounting, finance and tax law. She completed a training course for candidates for chief accountants organised by the Accountants Association in Poland, Regional Branch in Torun. Since 2002, she has been with POLTOR Sp. z o.o., at present as Finance Director. Since 2013, she has been a lecturer at the John Paul II Catholic University of Lublin. She has many years of experience in accounting, taxes, finance and management. She is the author of publications in the areas of management (with a particular focus on company restructuring), corporate finance and financial accounting under both Polish IAS and IFRS.

Michał Stopyra

Michał Stopyra graduated from the AGH University of Science and Technology, where he completed studies at the Mining Faculty with specialism in Underground Mining and obtained the degree of Doctor of Engineering. He started his professional career in mines in Poland and Norway, which was then followed by scientific work at the Mining Faculty of the AGH University of Science and Technology. In 1993 he also started to carry out consulting activities focused on cooperation with industry. His career included such positions as an expert at the Provincial Mining Authority, consultant to mining equipment manufacturers as well as mining works manager in domestic and international projects (Germany, Czech Republic, Spain, Columbia, Russia). In 2000-2012, Michał Stopyra was a member of the Supervisory Board in Techniczno Górnicza Spółka Akcyjna TEGONA S.A. in Katowice. From 2013, he has been acting as a member of the Supervisory Board of LW Bogdanka S.A.



Glossary



- **CSR** – Corporate Social Responsibility
- **Net debt/ EBITDA** – product of net debt (i.e. the total current and non-current liabilities less cash and equivalents) to EBITDA
- **EBIT** – earnings before interest and taxes
- **EBITDA** – EBIT increased by depreciation and amortization and impairment losses
- **PTE** – Technical and Business Plan
- **LWB** – Lubelski Węgiel Bogdanka S.A.
- **IFRS** – International Financial Reporting Standards
- **Gross margin on sales** – the rate of return on sales calculated by dividing the profit by the volume of sales
- **EBITDA margin** – operating profit plus depreciation and amortization to total revenue
- **EBIT margin** – ratio of EBIT calculated for a period and the revenue from the sales of the period
- **Gross margin** – ratio of gross profit (before taxes) and net sales
- **Net margin** – ratio of net profit and net sales
- **Return on Assets (ROA)** – ratio of a company's net profit to the value of its assets
- **Return on Equity (ROE)** – ratio of net profit to equity
- **Respect Index** – an index of socially responsible companies
- **WFOŚiGW** – the Provincial Fund for Environment Protection and Water Management
- **Debt ratio** – ratio of total liabilities to total assets
- **Debt to equity ratio** – ratio of total liabilities to equity
- **Non-current assets to equity ratio** – ratio of the sum of equity, non-current liabilities, non-current accruals and non-current assets
- **Current debt ratio** – ratio of current debt to total assets
- **Non-current debt ratio** – ratio of non-current liabilities to equity
- **Current liquidity ratio** – ratio of current assets and current liabilities
- **Quick liquidity ratio** – define a company's ability to meet its short-term obligations with its most liquid assets



Signatures of all Members of the Management Board

Artur Wasil – President of the Management Board

Adam Partyka – Vice-President of the Management Board, Employee and Social Affairs

Artur Wasilewski – Vice-President of the Management Board, Economic and Legal Affairs

Dariusz Dumkiewicz – Vice-President of the Management Board, Development

Bogdanka, 20 November 2019



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