



Directors' Report on Operations
of the LW Bogdanka Group
for the first quarter of 2020



**Lubelski Węgiel
Bogdanka S.A.**

one of the leading hard coal producers in Poland, standing out in the industry in terms of financial performance, productivity, and investment plans to access new deposits.

Share in the hard coal market in Poland

14.1%

Share in the thermal coal market in Poland

20.6%

Share in the supplies of coal to the commercial power sector in Poland

25.8%



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Summary of operations



Operating data of the LW Bogdanka Group

Gross coal extraction – 3.1 million tonnes

Production of commercial coal – 2.1 million tonnes

Yield – 65.7%

Sale of commercial coal – 1.9 million tonnes

New excavations – 6.7 km

Employment at the LW Bogdanka Group

Headcount at the end of Q1 2020 – 5,684 FTJs

Increase in headcount comparing to 2019 – 0.5%

Financial data of the LW Bogdanka Group

Revenue on sales – PLN 464.1 million

Profit on sales – PLN 44.0 million

EBIT – PLN 44.9 million

EBITDA – PLN 134.8 million

Net profit – PLN 33.7 million





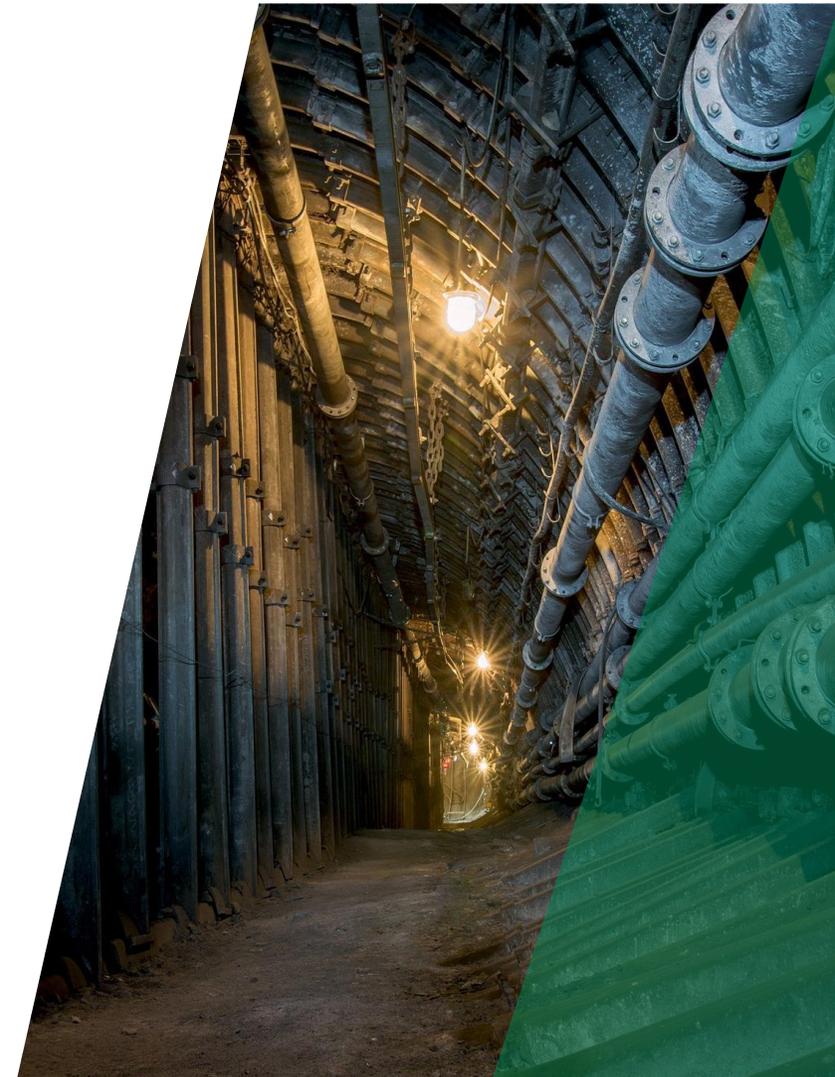
Key events in the first quarter of 2020

Q1 2020

- court registration of the amendments in the Articles of Association of LW Bogdanka S.A.
- the epidemic of SARS-Cov-2 coronavirus causing the COVID-19 disease, developing since the beginning of 2020 (details on page 20)

Key events after the balance-sheet date

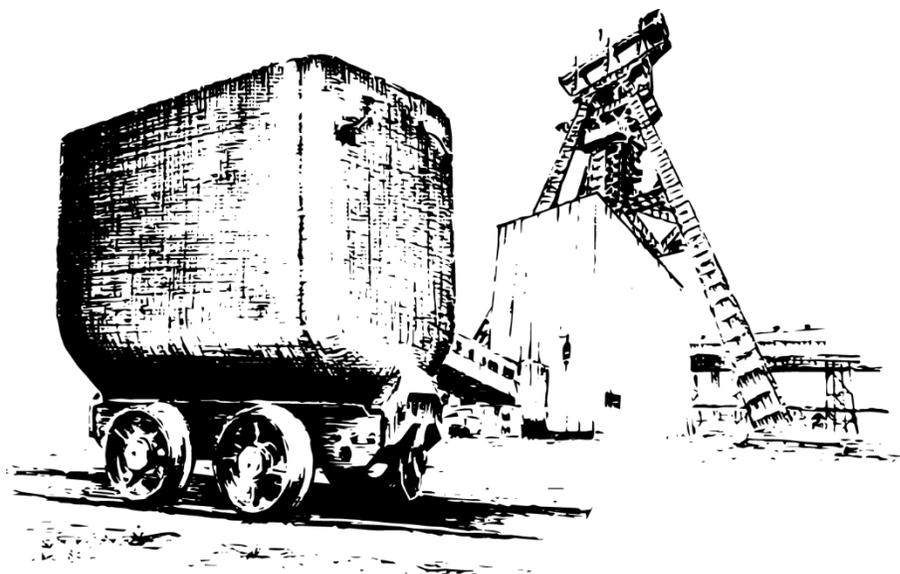
- convening the Extraordinary General Shareholders Meeting of Lubelski Węgiel Bogdanka S.A. for 29 May 2020
- Management Board's recommendation regarding the allocation of the net profit for 2019 to the reserve capital of the Company





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Organisation and business activities
of the LW Bogdanka Group



Given the Group's structure and the fact that the majority of its operations are carried out by the Parent (the subsidiaries perform auxiliary functions to the operations run by the Parent), descriptions contained in the Report also refer directly to actions and events occurring at the Parent. Whenever any differences occur, they are clearly indicated by relevant description and data.

Lubelski Węgiel Bogdanka Spółka Akcyjna

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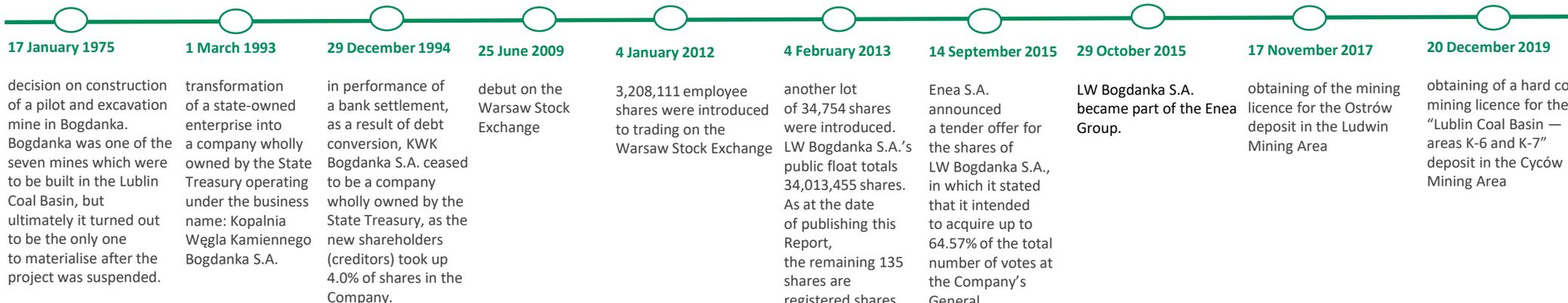
Legal form and regulations which provide a basis for the Company's activities

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. 2017.1577)
- Act of 9 June 2011 – Geological and Mining Law (Dz. U. 2017.2126)

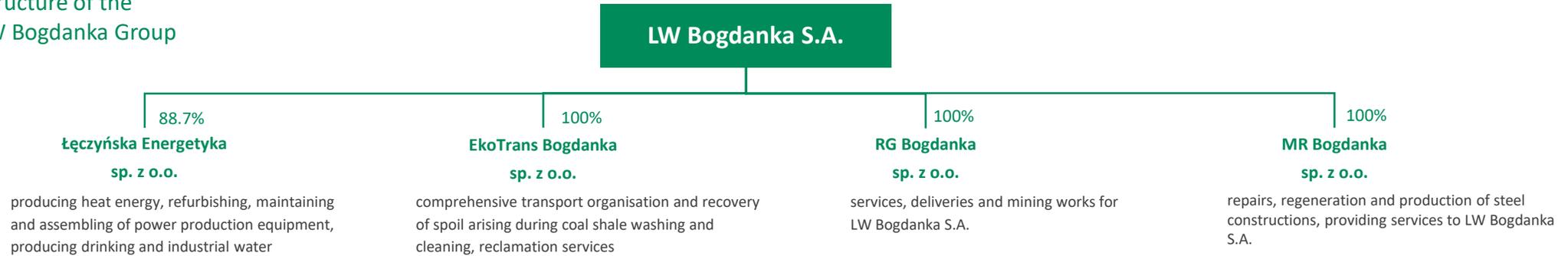
The founder of the Company is the State Treasury, represented by the Minister of the State Treasury. The Company may operate in Poland and abroad. The Company was established for an indefinite term.

History in brief





Structure of the LW Bogdanka Group



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

In Q1 2020 there were no changes in the structure of the LW Bogdanka Group or the Group's organisational and capital relations to 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.

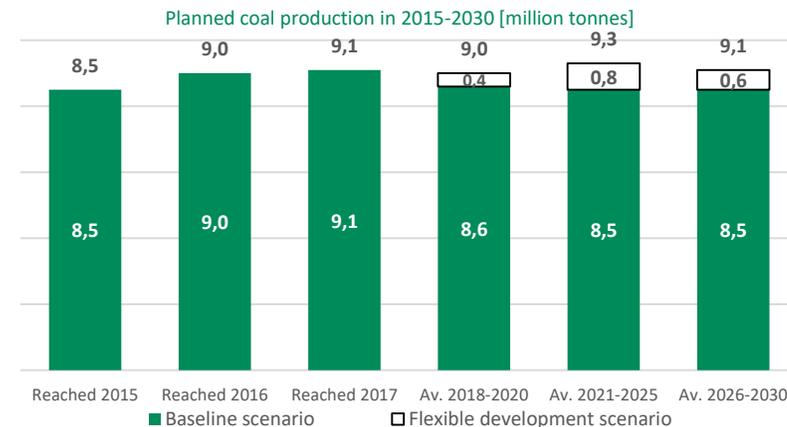
Until 2030, a key direction for the Parent will be the development of infrastructure in the Ludwin Mining Area (Ostrów deposit) - according to preliminary estimates the Parent will spend there about PLN 1.2 – 1.3 billion (in real terms) after 2025. This project is to ensure that the shaft complex in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





Development strategy of the subsidiaries

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

The Management Board defined the following strategic goals for the Company, to be pursued in the years to come:

- 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 2020-2021 (cooling fire-extinguishing water tank)
- 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 2022-2023 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
- manufacture general purpose steel structures
- manufacture and regenerate mass products used by LW Bogdanka S.A.

The company's main objectives include:

- modernisation and repairs of mining machinery and equipment
- 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 2020 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 Q1 2020

In Q1 2020, LW Bogdanka S.A. performed the planned investment tasks. In this respect capital expenditures for non-current assets totalled PLN 265,788,000.

The plan for 2020 includes groups of tasks: development and replacement investments, including the purchase of machines and equipment, their modernisation and repairs, enlargement of the mining waste neutralization facility as well as operational investments, including construction and upgrade of workings in the Bogdanka, Nadrybie, Stefanów and Ostrów Fields, etc.

DEVELOPMENT INVESTMENTS AND OVERHAULS LW BOGDANKA S.A.



Ostrów Field – design works – the procedure of obtaining environmental decision is pending; the analysis of alternative solutions for ventilation of areas made available in the Ostrów Field is underway.

Maintenance of machinery

Purchase and assembly of new machines and equipment – in Q1 2020 LW Bogdanka S.A. purchased and assembled machines and equipment for a total amount of PLN 16,417,000, including costs of assembling. The most important items include: belt conveyors, PEGAZ Leg-Support Device.

Purchases of finished goods (machines and equipment) – the finished goods worth PLN 3,859,000 were purchased. The most important items included: ready-made transportation devices (including braking trolleys, transportation units), hydraulic pumps and aggregates, electric devices (including motors, protection devices tester, flameproof transformer stations, flameproof bay of substation), and other ready-made devices.

Modernisation and renovations of machinery and equipment – PLN 708,000 for modernisation of hoists.

Purchase and assembly of longwall systems – PLN 166,055,000 was allocated for purchase and assembly of ploughing complex 5.

Other development investments

Enlargement of the mining waste neutralization facility in Bogdanka – expenditure incurred: PLN 17,000. Design works are underway regarding enlargement as part of Stage II.

Power, telecommunications and mechanical installations – PLN 395,000; the investment included the expansion of the power engineering networks.

MCCPP replacement projects – PLN 449,000 was assigned for further modernisation of steel structures and MCCPP facade.

Construction and modernisation of facilities and installations related to core operations – PLN 3,661,000 – continuation of the investment: modernisation of the central air conditioning system in Stefanów.

Construction of facilities on the surface of the Nadrybie, Bogdanka and Stefanów Fields – PLN 725,000 was allocated for the purchase of gantry crane in Stefanów.

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 2020 was equal to 5.2 km (all 5.8 km) with the value of PLN 55,461,000.

Modernisation of workings with respect to reconstruction of galleries, vertical excavations and modernisation of storage reservoirs was performed in accordance with the adopted schedules. Their total value amounted to PLN 17,454,000.



Investment projects completed in Q1 2020

The LW Bogdanka Group companies incurred expenditure for non-current assets of PLN 485,000.

Łęczyńska Energetyka and other subsidiaries of LW Bogdanka S.A.

Łęczyńska Energetyka

Investment tasks completed in Q1 2020 included: expansion of the Water Treatment Station in Bogdanka and projects related to production, transmission and distribution of heat.

In Q1 2020 the Company's capital expenditure totalled PLN 326,000.

RG Bogdanka, MR Bogdanka and EkoTrans Bogdanka

In Q1 2020 incurred capital expenditure in the total amount of PLN 159,000. These expenses were related to material investments.

Selected items of capital expenditure in the LW Bogdanka Group

[PLN '000]	PTE 2020	Performance of PTE in Q1 2020	Performance of PTE in Q1 2020 [%]
New workings and upgrade of existing ones	293,582	72,915	24.8%
Maintenance of machinery	126,775	20,831	16.4%
Obtaining new licences	350	0	-
Ostrów Field	2,950	450	15.3%
Longwalls	166,750	166,055	99.6%
Other development investments	37,909	4,522	11.9%
ICT	6,705	256	3.8%
Administration	30	20	66.7%
Transport	95	0	-
Other	5,476	739	13.5%
TOTAL CAPEX in LW Bogdanka S.A.	640,622	265,788	41.5%
Łęczyńska Energetyka Sp. z o.o.	10,800	326	3.0%
Other subsidiaries	2,739	159	5.8%
TOTAL CAPEX AT THE LW BOGDANKA GROUP	654,161	266,273	40.7%

Capital expenditure for excavations in Q1 2020

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	3,465.3			
Basic excavations	linear	1,458.0	12,812	85,727	72,915
Reconstructions	linear / natural	835.6			

In Q1 2020, 5.8 m of roadway excavations were made.

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 17,454,000.

The total expenditure incurred on the new workings and on the modernization of the existing ones amounts to PLN 55,461,000.

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 916.5 m.



Coal prices on the international market

CIF ARA coal prices

- USD 48.9/tonne - the average coal price (CIF ARA) in Q1 2020, i.e. -34.3% (compared to USD 74.4/tonne in Q1 2019)
- comparing to the average coal price (CIF ARA) in Q4 2019, (USD 56.9/tonne), it's a decrease by 14.1%

Inventories in ARA ports

- 5.9-6.0 million tonnes of coal inventories at the end of March 2020 in ARA ports – as at the end of December 2019 the level was 6.1-6.5 million tonnes.

Prices in the world's main ports

- The average coal price FOB Baltic Ports in Q1 2020 amounted to USD 47.0/tonne, i.e. -33.8% (USD 71.0/tonne) compared to Q1 2019
- comparing to the average coal price in Q4 2019, i.e. USD 53.1/tonne, down by 11.5%

China

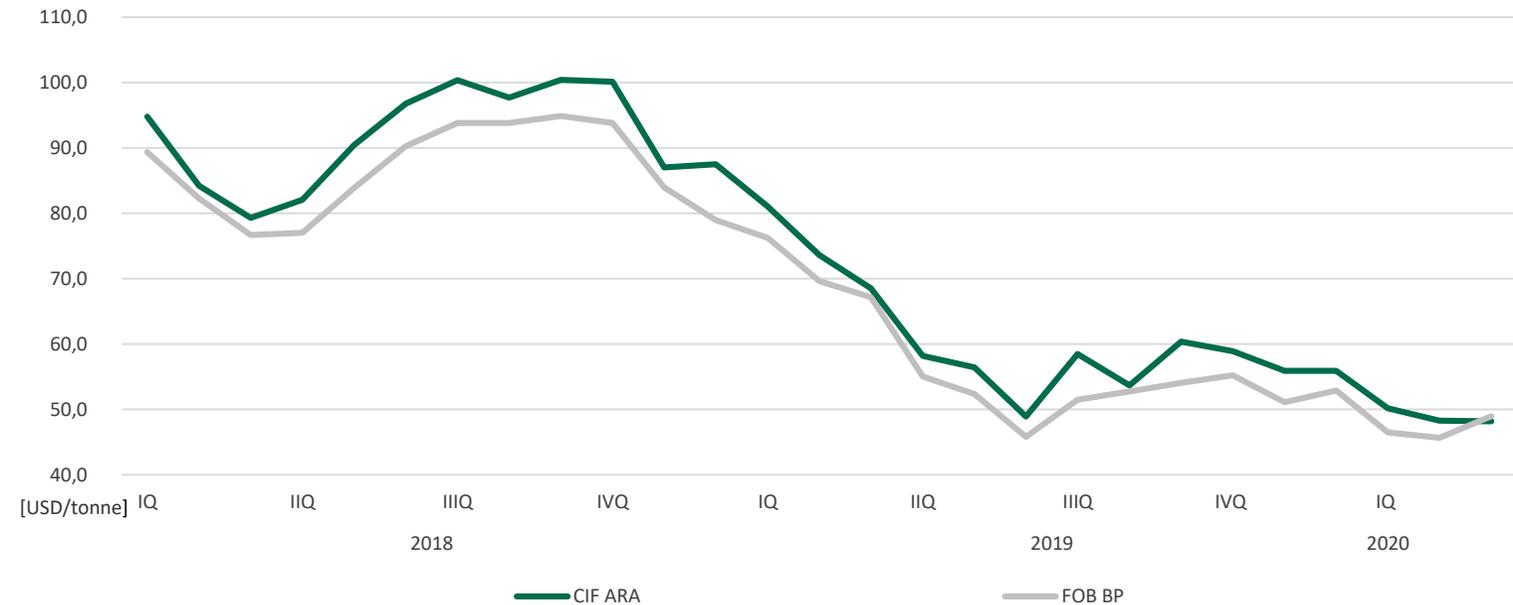
- approx. 829.9 million tonnes of coal were produced in Q1 2020, +2.1% compared to Q1 2019 (812.6 million tonnes)
- imports in Q1 2020 were 95.8 million tonnes and were higher by approx. 28.4% compared to Q1 2019 (74.6 million tonnes)

USA

- production in Q1 2020 was 136.0 million tonnes, -12.0% compared to Q1 2019 (154.5 million tonnes)
- consumption in Q1 2020 was 107.5 million tonnes, -24.5% compared to Q1 2019 (142.3 million tonnes)
- exports in Q1 2020 were 17.9 million tonnes of hard coal, -16.8% y/y (21.4 million tonnes)

Russia

- production in Q1 2020 – 87.2 million tonnes, -19.3% y/y (108.0 million tonnes)
- exports in Q1 2020 was 37.0 million tonnes of hard coal, down by 17.6% y/y (44.9 million tonnes)





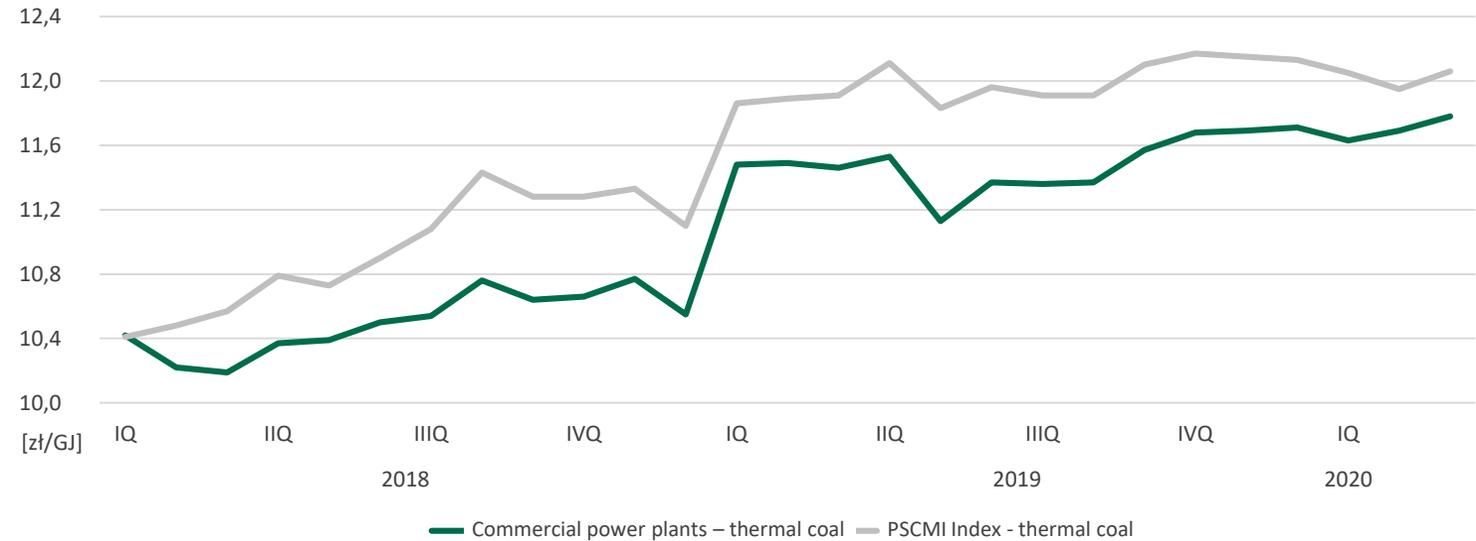
Fine thermal coal prices in the domestic market

Fine thermal coal prices

- in Q1 2020, the average annual price of fine thermal coal for commercial power plants was PLN 11.70 per GJ, the change dynamics was ca. 9.7% y/y
- average heating value of fine coal for commercial power plants was about 21.6 GJ

Prices based on the PSCMI index

- in Q1 2020 the average price based on the PSCMI index was approx. PLN 12.02 per GJ, which compared to average price in Q1 2019 (PLN 11.89 per GJ) represents an increase by approx. 1.1%





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

Production of thermal coal in Poland

- in Q1 2020, the production of thermal coal amounted to about 11.7 million tonnes, which represents a decline of 7.9% y/y

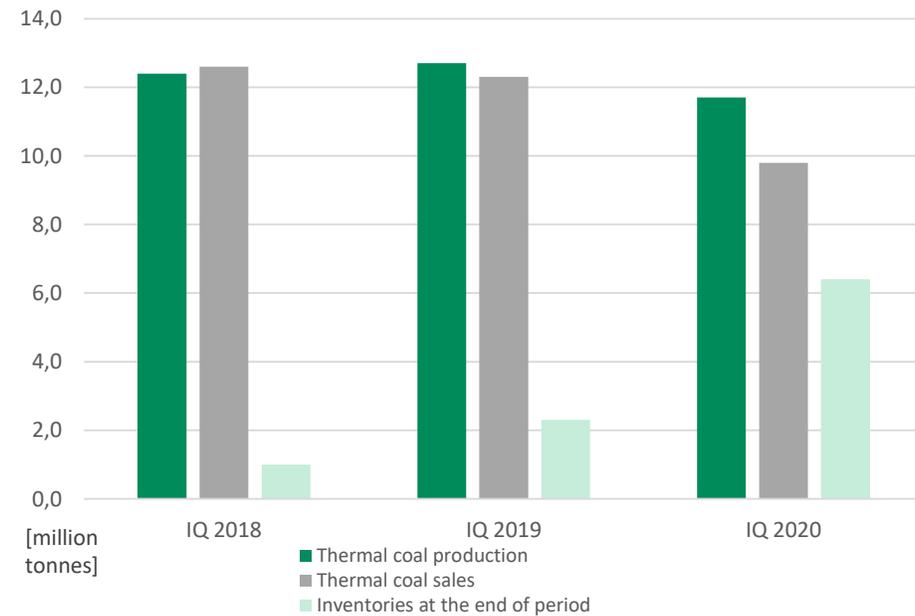
Sales of thermal coal market in Poland

- sales in Q1 2020 amounted to about 9.8 million tonnes, including about 6.5 million tonnes of thermal fine coal sold to commercial power plants
- sales of thermal coal decreased by about 20.3% in comparison to Q1 2019

Inventories of coal in Poland

- the level of thermal coal inventories at the end of Q1 2020 totalled 6.4 million tonnes (at the end of Q1 2019 – 2.3 million tonnes)

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





Production, sales and inventories of thermal coal 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 6.5 million tonnes of thermal fine coal. The most important customers from the commercial power industry are as follows:

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

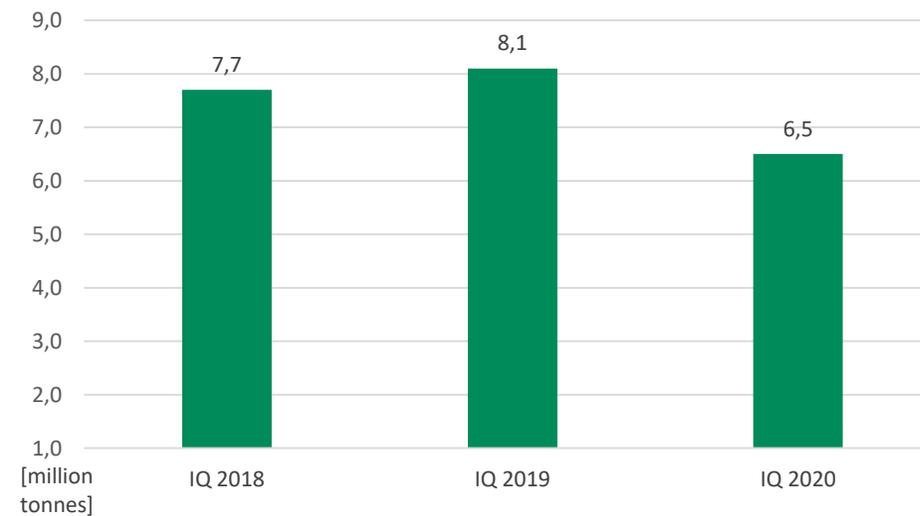
Sales of thermal coal market in Poland

In Q1 2020, about 9.8 million tonnes of thermal coal were sold in Poland. ... million tonnes of thermal coal were delivered to the domestic market, including 6.5 million tonnes of thermal fine coal.

Export of coal

About ... million tonnes of coal were exported, including approx. ... million tonnes of thermal coal.

Sales of thermal coal to commercial power plants





Electricity generation in Poland

Electricity generation - total

- In Q1 2020, the production of electricity totalled about 40,764 GWh, which represents a decrease of 1.948 GWh (-4.6%) versus the same period of 2019.

Power generation from coal

- Coal was the main fuel used to produce electricity. In Q1 2020 it was used to produce 28,421 GWh, which represents a decrease by 3,160 GWh (-10.0%) compared to Q1 2019.
- In Q1 2020 coal accounted for 69.7% of total electricity production in Poland, but its share in the fuel mix went down by 4.2% in comparison with Q1 2019.

Power generation from hard coal

- Hard coal served for producing electricity of 19,258 GWh (down by 6.4% compared to Q1 2019).

Power generation from lignite

- Lignite was used to produce 9,163 GWh of electricity (16.8% less than in Q1 2019).

Power generation by wind farms

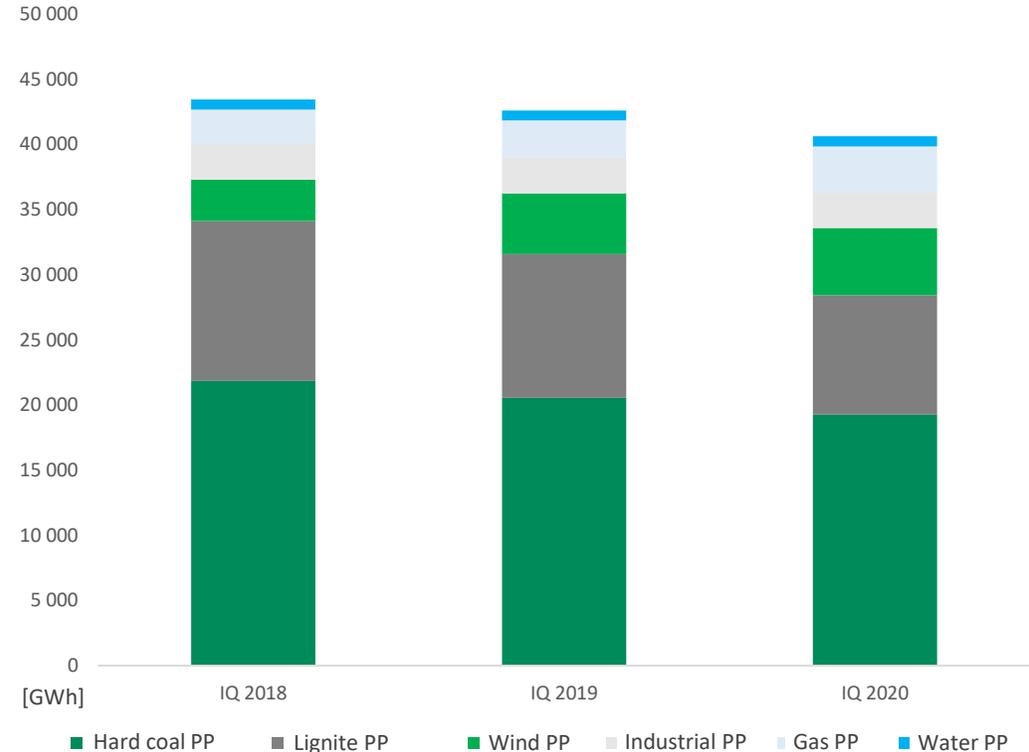
- Wind farms produced 5,161 GWh of electricity, which represents an increase by 10.9% in comparison with Q1 2019. Wind made up about 12.7% of electricity production.

Power generation by gas-fired power stations

- Gas power plants produced 3,566 GWh of electricity, which represents an increase by 26.6% compared to Q1 2019. Production of energy in gas power plants achieved the highest growth dynamics y/y.

Electricity consumption on the domestic market

- In Q1 2020, the consumption of electricity totalled 43,533 GWh, which represents a decrease by 930 GWh (-2.1%) versus the same period of 2019.





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 2019. Below please find risk factors which the Group sees as the most important risk factors in the perspective of the following (second) quarter.

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

Plans of the Government concerning enterprises operating in the hard coal mining and power engineering sector have a significant influence on the market position of LW Bogdanka S.A. 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 LW Bogdanka S.A.

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. In 2019 the growth period was followed by a decline trend covering prices on the international market, which reached in Q1 2020 new historic lows. This primarily results from supply and demand situation of the largest customers of imported coal in Europe, which is a consequence of, among other things, high temperatures recorded in the winter season, but also significant shrinking of countries' economies as a result of COVID-19 pandemic.

Following the growth trend started in 2017, prices stabilised in the first months of 2020 on the domestic market of thermal coal. However, due to these exceptionally high temperatures in the winter period, as well as significant limitation of the domestic economy as a result of COVID-19 pandemic, coal consumption by commercial power plants was reduced, which translated into an increase in the level of coal mounds in mines as well as power plants and heat power plants.

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. and the Group. 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) and in December 2019 - a mining licence was obtained for the "K-6, K-7" 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.

Making new deposits available will involve incurring additional capital expenditure. In case of the Ostrów deposit it will be necessary to build surface infrastructure with a shaft pillar. By the time relevant corporate decisions are made, the access to new resources (Ostrów and K-6 K-7 deposits) will be made with the use of infrastructure of Bogdanka and Stefanów Fields. The increase in the resource base and expanding the mining area gives better possibility to plan production with the account taken of mining and geology conditions, equipment held (longwalls, machinery and equipment) as well as human resources.

The timetable of production (wall run) assumes that current mining capacities of the mine will be retained, and production will be concentrated evenly on individual mining fields.

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
- retention of the excavated material from the Stefanów Field to the Bogdanka Field
- 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 the strong position of the 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 approx. 64.6% of the employees). Strong position of the trade unions creates a risk that the costs of remuneration 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. Countermeasures: permanent dialogue with trade union organisations, running cyclical meetings of the purpose of negotiating with the social side.



Factors related to difficulties in supplies to the Parent's customers performed through rail transport

Since mid-2017 a comprehensive modernisation of railway line No. 7 (sections Lublin – Puławy and Dęblin – Piława) 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. At the end of 2019 limited traffic was restarted on one rail towards Warsaw. Completion of works at the whole Lublin-Dęblin section and further to Warsaw, as per the last announcement of PKP PLK S.A. dated 7 November 2019, is scheduled for the end of 2022. Before that, i.e. in the second half 2020, the Lublin-Dęblin double track traffic will be reopened, which was notified by PKP PLK S.A. in the announcement of 12 March 2020.

Epidemic risks

The epidemic of SARS-Cov-2 coronavirus causing the COVID-19 disease has been developing since the beginning of 2020, but arrived to Poland at the beginning of March. The virus itself and the results it brings, together with the results of measures taken by the government for counteracting the epidemic, have affected the condition of the economy both in Poland and globally. For this reason also the activities of the Group have been affected by the current situation. However, due to the facts that the abovementioned events intensified as late as at the end of the first quarter 2020, their impact on financial results and the Group's operating activity in the discussed period is relatively small. At the present moment it is impossible to quantify the impact of these events, nevertheless problems caused by the virus epidemic [problems with employees availability, reduced supplies, materials availability, lower demand (including decrease in electric energy consumption which is followed by a lower demand for coal)] and the protection measures taken for counteracting virus infection, on one hand result in higher operating costs and on the other - in reducing production and reducing the economy of scale, which eventually affects the financial result. Actions taken by LW Bogdanka S.A. in order to mitigate the described risk as much as possible, include temporary limiting business trips and meetings, increasing availability of cleaning agents, disinfection agents, and other equipment for the employees' personal protection, introducing relevant work procedures (e.g. shift work), change in timetable of entering and exiting the mine by the staff, information campaign addressed to all employees as well as careful monitoring of directions of its employees' travels (including their families/ other members of their households). Key actions taken by the Group also include adjusting

its procedures to the requirements of the Act on specific solutions related to prevention, counteraction and fighting COVID-19 adopted by the lower chamber of the Parliament (the Sejm) on 2 March 2020....”.

In relation to the existing threats, the Management Board is working on alternative scenarios of the mine functioning for the event of expanding the pandemic or if any employees at the Company or its subsidiaries are found positive with coronavirus. The Group's operating activity may be materially affected with changes, which will then be reflected in its financial results. The situation also applies to employees of external entities providing the Company with mining services, as well as its suppliers and customers. The difficulties in the area of human resources impacting the Group and its business partners may materially affect its operating activity and the generated financial results. The assessment of the impact of the current circumstances on the Parent and the whole Group as well as its market environment is being carried out on an ongoing basis; as a result of this analysis the Group is prepared to flexibly respond and adjust production capacities to the Parent's feasibility and/or the market needs. The assumed level of production and sales, and in consequence the forecasted financial results of the whole Group depend on which scenarios will be pursued. The same restrictions refer to the assumed level of the performance of CAPEX, where the expenditure for preparatory works makes the largest portion.





Workforce changes

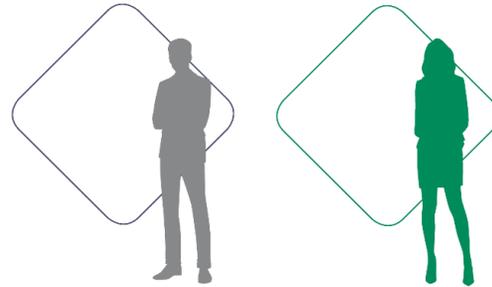
Employment at the Group

Q1 2020 brought an 0.5% increase in employment in the Group. The highest increase (in %) in FTJs was recorded in RG Bogdanka sp. z o.o.

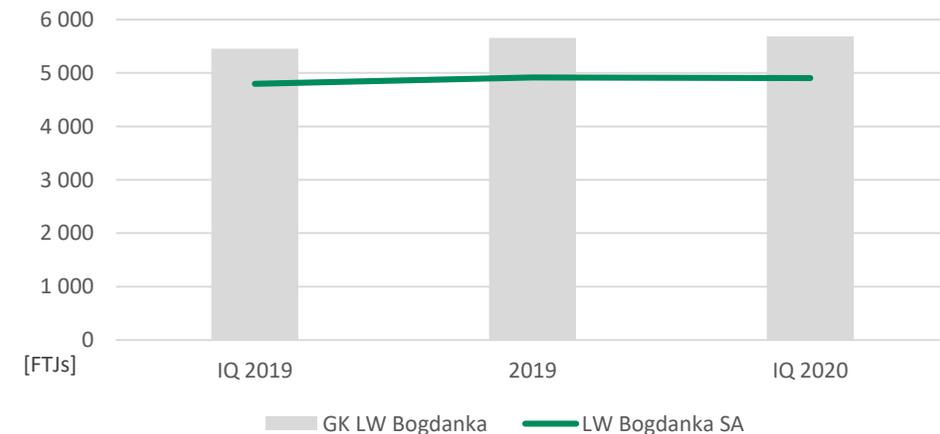
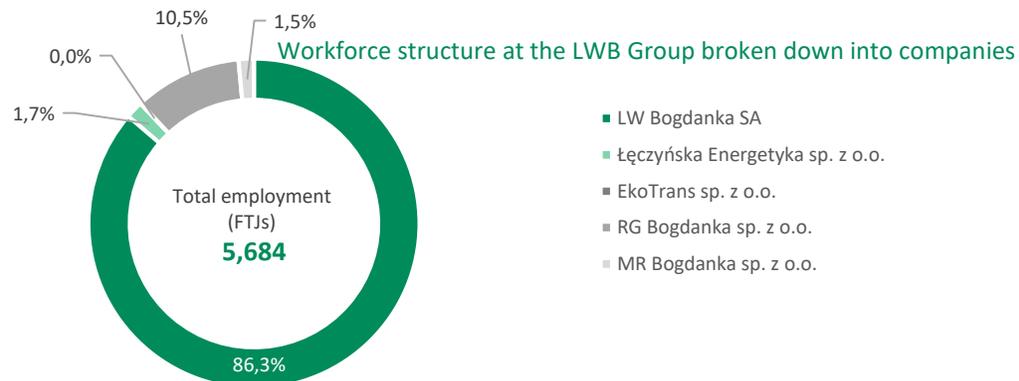
Workforce of the Parent

In Q1 2020 the personnel employed at the Parent accounted for 86.3% of total employment in the Group. Blue-collar workers accounted for 84.3% of all employees. In comparison with Q1 2019 the number of underground staff went up by 56.0 workers, i.e. 1.6%. Underground personnel constituted the main group employed in LW Bogdanka S.A., i.e. 73.2%.

In Q1 2020, 32 employees were hired to LW Bogdanka S.A., while 42 employees left the Company.



Employment (FTJs)	31 Mar. 2019	31 Dec. 2019	31 Mar. 2020	Workforce structure at the Group	Change Q1 2020/ Q1 2019	Change Q1 2020/ 2019
	Total					
Total workers	4,111.0	4,147.0	4,134.0	-	0.6%	-0.3%
Underground workers	3,164.0	3,180.0	3,173.0	-	0.3%	-0.2%
Surface workers	947.0	967.0	961.0	-	1.5%	-0.6%
Full-time employees underground	374.0	419.0	421.0	-	12.6%	0.5%
Full-time employees on the surface	311.9	350.5	351.5	-	12.7%	0.3%
Total underground	3,538.0	3,599.0	3,594.0	-	1.6%	-0.1%
LW Bogdanka S.A.	4,796.9	4,916.5	4,906.5	86.3%	2.3%	-0.2%
RG Bogdanka sp. z o.o.	470.0	550.6	596.6	10.5%	26.9%	8.4%
MR Bogdanka sp. z o.o.	86.5	85.5	83.5	1.5%	-3.5%	-2.3%
EkoTrans Bogdanka sp. z o.o.	1.0	1.0	1.0	0.0%	0.0%	0.0%
Łęczyńska Energetyka sp. z o.o.	100.5	100.0	96.0	1.7%	-4.5%	-4.0%
LW Bogdanka Group	5,454.9	5,653.6	5,683.6	100.0%	4.2%	0.5%





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.



Effectiveness of health and 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.

The Company maintains a quality management

system compliant with the requirements of the relevant reference standards, which has been confirmed by audits carried out in the organisation, including the most recent audit carried out by PRS Certyfikacja S.A. in May 2018. The Company pursues health promoting projects, e.g. the event "Medical ultrasound instead of flowers!" – is a preventative action addressed to women employed at LW Bogdanka, on the Women's Day. It was a good opportunity to draw attention to regular self-testing and the chance for support for our employees in early diagnosing. 110 women underwent the tests.



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.

The beginning of 2020 means the works on the continuation of an educational project pursued as part of tri-lateral cooperation among Lubelski Węgiel Bogdanka S.A., Landscapes Foundation and the Łęczna Municipality. The Project, i.e. the Aesthetics Programme Laboratory for the town of Łęczna is addressed to the local community, where - through the education with respect to raising environmental awareness - it supports professional and personal development of the Project's

addressees. It also shapes responsible social and pro-environmental attitudes related to managing the surrounding space.

Employees involvement

A new programme "Bogdanka's Active People" has been launched for the Company's employees. The programme opens the possibility for obtaining financing for amateur or semi-professional activity performed additionally to regular work, which is supposed to trigger development and achieving better results, regardless of the area in which the hobby is pursued. It can be sport activity in which the employees are successful or culture and arts, e.g. photography, literature or even science (including inventions) or environmental protection.



Applications will be accepted twice a year - in order to apply for financing an application must be submitted with the description of the most important aspects of possible cooperation, including the existing achievements and plans for 2020 in relation to the passion pursued.

After 31 March applications eligible for financing will be selected. Maximum amount for individual applications is PLN 3,000 net, and for teams - PLN 6,000 net.

Bogdanka Socially Committed – in 2020 the Company pursues 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 quarter out of 33 submitted initiatives 10 were completed.



Priorities in social commitment

The area of social activities is regulated by the Policy of social involvement of LW Bogdanka S.A. 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.



Charity support

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 local 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 2020 the Parent granted monetary donations and donations in-kind, thus supporting, without limitation, those in care of Caritas, MONAR in Łęczna or the construction of a playground for children staying in the Rehabilitation and Education Centre in Janów Lubelski.



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.



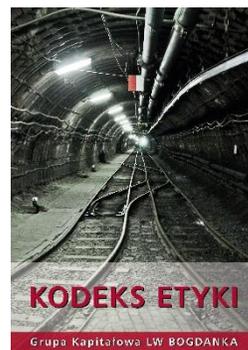
Almost 74 % of the help granted is related to the health of the employees and their families – treatment, rehabilitation and purchases of medical equipment. The Foundation to an increasingly larger extent provides assistance to mining retirees and pensioners. In majority of cases social aid refers to families of miners who survived serious accidents or died in accidents, as well as mining retirees.

Ethics as component of the organisational culture

The Code of Ethics established in 2011 is updated to ensure that it reflects the most recent situation in the Company and in the industry as a whole. The documents which have been in effect since 2015 are: "Supplier Code of Conduct of LW Bogdanka S.A.";

"Guidelines for Filing and Handling Complaints Related to Noncompliance with the Rules of the Company's Code of Ethics"; information regarding "Compliance with the Rules of Ethics at Interviews with Injured Parties and Witnesses for the Purposes of Developing Accident Reports".

In November 2018 Code of Ethics was introduced in the LW Bogdanka Group, and it applies to all subsidiaries. Education and awareness campaign is conducted on an ongoing basis with the use of such tools as plasma screens, the "Bogdanka" corporate newspaper and the Intranet, with a view to exposing and promoting ethical values recognised in LW Bogdanka S.A. As part of the staff induction training and as part of the occupational health and safety training for team leaders, the Ethics Representative provided training in the Code of Ethics to all the newly employed. The Ethics Representative will also be involved in the actions carried out in the Compliance field. The Compliance system and procedures are now being implemented at the Company. As part of the Compliance policy internal policies will be implemented and monitored.



Together for the mining industry - Joint Social Initiatives Group "GÓRNICtwo O.K."

LW Bogdanka S.A. has joined the Górnictwo O.K. project initiated by the AGH University of Science and Technology in Krakow, which aims to implement and communicate socially responsible actions, demonstrate the importance of the CSR strategy in achieving financial objectives of

mining companies, and cooperate in the development of the standards for managing the process of exerting an impact on the local environment, market and employees.

The Initiative has attracted companies from the mining sector, cooperating companies, universities and industry-related NGOs.

The project, which was initiated during the School of Underground Mining in 2016, is a confirmation that in those challenging times, the mining industry is able to speak with one voice, implement innovative solutions and develop human capital. Meetings organised with industry representatives from the neighbouring countries such as Germany, Czech Republic or Ukraine contribute towards achieving objectives the Initiative has set for itself. The GÓRNICtwo O.K. is also a communication platform from the mining industry and the society, which should be a tool for building a positive image of the mining sector in Poland and getting involved in appropriate lobbying exercises.

In Q1 2020 LW Bogdanka's involvement was reflected by co-organising the CSR panel in the School of Underground Mining.



Mining success of the year in environment protection

In February the Company received two - out of three possible - awards in the Mining Success of the Year Competition organised by the Mining Chamber of Industry and Commerce; one of them directly concerned the activity in the CSR area. Inter-sectoral cooperation for the social eco-development, that is projects for re-naturalisation of presence of aquatic warbler in the area of Krowie Bagno as well as strict cooperation with the Łęczna Municipality and the Landscapes Foundation for the purpose of environmental education and sustainable development has been appreciated and found to be best practice in Poland.

Fight with coronavirus

Bogdanka provided up to the total of PLN 740,000 as help for hospitals and institutions fighting the coronavirus pandemic. As part of its cooperation with the Ministry of State Assets and the Province Governor's Office in Lublin, the Company granted a donation for necessary equipment for establishing, in the Lublin Province, a virology laboratory for carrying out tests for SARS-CoV-2 (a new laboratory will enable the number of locally made tests to be increased to 400 per day) as well as PLN 500,000 to Lublin-based hospitals and sanitary services. Furthermore, Bogdanka supported two hospitals with which it has been cooperating for many years: Children's Research Hospital in Lublin and the Public Health Care Centre in Łęczna, by providing donations for protection masks and other protective gear for medical staff on duty. The Company also paid PLN 10,000 to the ZOO in Wojciechów, which experienced problems and could not finance proper care on animals from all over the world living in the ZOO.

In the times of fight with the SARS-CoV-2 coronavirus Bogdanka has introduced numerous changes to the organisation and rules with a view of protecting employees and their families against coronavirus infection with a concurrent ensuring the continuity of operations important for the whole economy of the Company. The system of underground work was changed, stringent rules for protective gear (masks, gloves) were introduced, several tens additional underground points for washing hands were installed and additional disinfection of equipment and devices was made. Obligatory body temperature control was also introduced for persons entering the mine whether on foot or by other means, as well as on buses transporting to the Company facilities. The mine does not accept external guests, and some portion of employees handling administrative issues work online from homes. There is a dedicated staff and work teams managing the situation on an on-going basis.



3 Financial standing



Production, sales and inventories of coal

Production, sales of commercial coal of the Company

['000 tonnes]	Q1 2019	Q1 2020/	Change	Change %
Gross coal extraction	3,911	3,146	-765	-19.6%
Production of commercial coal	2,532	2,066	-466	-18.4%
Yield (%)	64.7%	65.7%	1.0 p.p.	1.5%
Sale of commercial coal	2,365	1,918	-447	-18.9%
New excavations (km)	7.9	6.7	-1.2	-15.2%

Inventories of commercial coal of the Company

['000 tonnes]	31 Mar. 2019	31 Dec. 2019	31 Mar. 2020	Change [%] 31 Mar. 2020 / 31 Dec. 2019	Change [%] 31 Mar. 2020 / 31 Mar. 2019
Inventories of coal	255	179	327	82.7%	28.2%

Structure of commercial coal production

[%]	Q1 2019	Q1 2020/
Fine coal	99.4%	99.7%
Nut coal	0.0%	0.0%
Pea coal	0.6%	0.3%
Total	100.0%	100.0%

Production of coal

- (-) gross extraction of coal in Q1 2020 decreased by 19.6%, i.e. 765,000 tonnes.
- (+) production of commercial coal in Q1 2020 was 2,066,000 tonnes, i.e. more by 466,000 tonnes (-18.4%) than in the same period of 2019.
- (+) yield for Q1 2020 was 65.7% compared to 64.7% for Q1 2019.

Sale of coal

- (-) the sales of coal in Q1 2020 dropped by 18.9% compared to Q1 2019

Inventories

- (+) at the end of Q1 2020, the level of coal inventories amounted to 327,000 tonnes, which means an increase by 148,000 tonnes compared to the level as at 31 December 2019.
- (+) the level of coal inventories presented at the end of Q1 2020 corresponds approximately to 11 days of commercial coal production (on the basis of average daily production for three months).
- (+) the level of inventories allows the mine for safe servicing of logistics processes in the event of problems with coal production.

Structure of commercial coal production

- (+) higher share of the production of fine coal sold to industrial customers.
- (-) low 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 Parent 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]	Q1 2019	Q1 2020/	Change	Change %
Sale of coal	526,277	450,560	-75,717	-14.4%
Other activities	8,777	10,159	1,382	15.7%
Sale of goods and materials	5,733	3,362	-2,371	-41.4%
Total	540,787	464,081	-76,706	-14.2%

Structure of revenue

[%]	Q1 2019	Q1 2020/
Sale of coal	97.3%	97.1%
Other activities	1.6%	2.2%
Sale of goods and materials	1.1%	0.7%
Total	100.0%	100.0%

Geographical structure of revenue

[PLN '000]	Q1 2019	Structure	Q1 2020	Structure
Domestic sales	540,750	100.0%	464,081	100.0%
Foreign sales	37	0.0%	0	0.0%
Total	540,787	100.0%	464,081	100.0%

Revenue

(+) in Q1 2020, the Group generated revenue in the amount of PLN 464,081,000, which represents a decrease by 14.2% compared to Q1 2019.

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 over 97% of the LW Bogdanka Group's revenue.

(-) increase in sales volume by 18.9%

(+) increase in price

Revenue on other operations

In Q1 2020 revenue on other operations (which includes revenue of subsidiaries) were PLN 10,159,000 (2.2% of total revenue), compared to PLN 8,777,000 (1.6% of revenue) in the analogous period of 2019 (up by 15.7% y/y).

A significant share in that group of revenue was held by:

- revenue from services of coal transport provided by the Parent 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.

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 (because of lower production)

Geographical structure of revenue

The activities of the Group are primarily concentrated in Poland. In Q1 2020 no coal was exported while in the same period 2019 export sales covered products worth PLN 37,000.

Key customers

More than 90% of coal sales (in terms of value) in Q1 2020 was effected between LW Bogdanka S.A. and Enea Wytwarzanie sp. z o.o., Enea Elektrownia Połaniec S.A., ENERGA Elektrownie Ostrołęka S.A., and Grupa Azoty Zakłady Azotowe Puławy S.A. In the analogous period of 2019 the share of the above customers was similar.

Key customers by share in revenue:

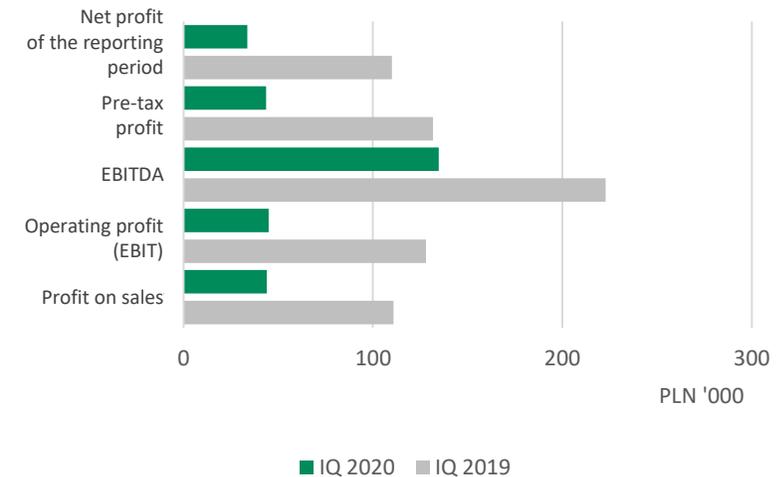
- Enea Wytwarzanie sp. z o.o. – Enea Group – approx. 64% of share in the revenue
- Enea Elektrownia Połaniec S.A. – Enea Group – approx. 19% share in the revenue



Financial highlights of the LW Bogdanka Group

Analysis of the consolidated income statement

[PLN '000]	Q1 2019	Q1 2020/	Change
Revenue	540,787	464,081	-14.2%,
Costs of products, goods and materials sold, selling costs and administrative expenses	429,944	420,082	-2.3%
Profit/(loss) on sales	110,843	43,999	-60.3%
Gross sales margin	20.5%	9.5%	-11.0 p.p.
Other income	1,315	1,567	19.2%
Other costs	326	151	-53.7%
Net operating profit	111,832	45,415	-59.4%
Other profits/(losses) - net	16,134	-521	-
Operating profit (EBIT)	127,966	44,894	-64.9%
EBIT margin	23.7%	9.7%	-14.0 p.p.
EBITDA	222,860	134,807	-39.5%
EBITDA margin	41.2%	29.0%	-12.2 p.p.
Finance income	7,133	1,578	-77.9%
Finance costs	3,295	2,909	-11.7%
Profit before taxation	131,804	43,563	-66.9%
Pre-tax profit margin	24.4%	9.4%	-15.0 p.p.
Income tax	21,835	9,895	-54.7%
Net profit for the financial year	109,969	33,668	-69.4%
Net sales margin	20.3%	7.3%	-13.0 p.p.





Financial highlights LW Bogdanka Group

Revenue

The value of revenue for the Q1 2020 went down by 14.2% compared to the same period of the previous year and amounted to PLN 464,081,000.

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

In Q1 2020 the costs of products, goods and materials sold plus selling costs and administrative expenses amounted to PLN 420,082,000, i.e. they went down by 9,862,000 compared to the same period of the previous year and amounted to PLN 429,944,000.

Profit on sales

In Q1 2020 profit on sales amounted to PLN 43,999,000, while in the same period of 2019 profit on sales was recorded and amounted to PLN 110,843,000.

Other income

In the first quarter of 2020 other income amounted to PLN 1,567,000 compared to PLN 1,315,000 a year before. The increase in value is attributable to a higher amount of returned excise tax and damages received.

Other costs

Other costs in Q1 2020 amounted to PLN 151,000 while in the same period of 2019 the figure was PLN 326,000.

Other profits/(losses) - net

In Q1 2020 other net losses amounted to PLN 521,000, versus a net loss of PLN 16,134,000 in Q1 2019 - which means an increase of PLN 16,655,000 (in 2019 the provision for ZUS claim for accident insurance was released - increase in the gross financial result by PLN 16,398,000).

EBIT

Operating result in Q1 2020 amounted to PLN 44,894,000. EBIT margin in Q1 2020 was 9.7%, i.e. it was higher by 14.0 p.p. than in the first quarter of the previous year.

EBITDA

EBITDA in Q1 2020 decreased by 39.5% compared to Q1 2019 and amounted to PLN 134,807,000. EBITDA margin in Q1 2020 equalled 29.0%, which shows a decrease of 12.2 p.p. compared to the same period of 2019.

Finance income

Finance income in Q1 2020 amounted to PLN 1,578,000 (-77.9%). The drop in revenue in Q1 2020 is related to a release of provision in Q1 2019 for ZUS claim, in the portion relating to interest (PLN 6,260,000).

Finance costs

In Q1 2020 finance costs amounted to PLN 2,909,000 and were lower by 11.7% than the costs in the same period of 2019. As at 31 March 2020 total debt of the Group amounted to PLN 13,307,000, compared the Group's debt of PLN 16,371,000 as at 31 March 2019 (concerned a subsidiary Łęczyńska Energetyka sp. z o.o.).

Profit before taxation

In Q1 2020 the Group recorded pre-tax profit of PLN 43,563,000 compared to pre-tax profit of PLN 131,804,000 in Q1 2019.

Net profit for the financial year

In Q1 2020 the Group achieved net profit of PLN 33,668,000 compared to the profit of PLN 109,969,000 in Q1 2019.



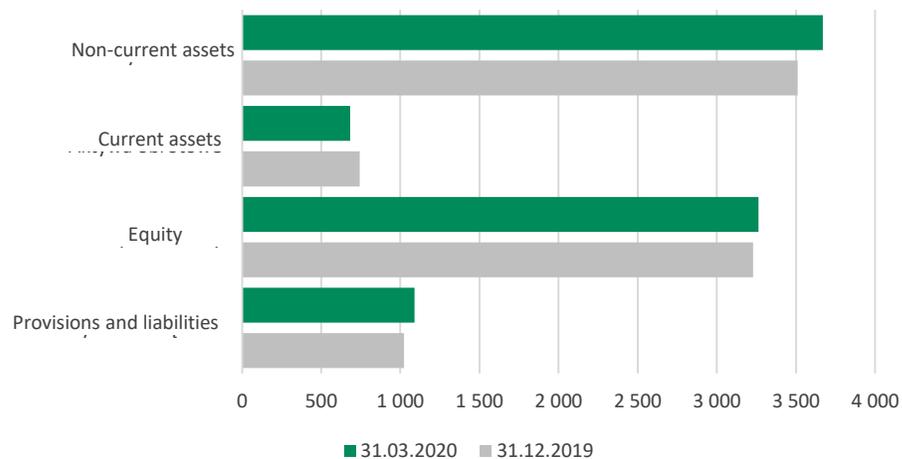


Balance sheet of the LW Bogdanka Group

Balance sheet [PLN '000]	31 Dec. 2019	31 Mar. 2020	Change
Total assets	4,252,464	4,351,817	2.3%
Return on Assets (ROA)*	7.5%	5.4%	-2.1 p.p.
Non-current assets	3,509,780	3,668,594	4.5%
Current assets	742,684	683,223	-8.0%
Equity	3,228,502	3,262,170	1.0%
Return on Equity (ROE)*	10.0%	7.2%	-2.8 p.p.
Provisions and liabilities	1,023,962	1,089,647	6.4%

* the calculations include net result for the last four quarters and an average level of assets and equity (as at 31 March 2020 + as at 31 December 2019)/2

Analysis of the consolidated statement of financial position



Assets

The balance-sheet total as at 31 March 2020 compared to the value as at 31 December 2019 went up by PLN 99,353,000 and amounted to PLN 4,351,817,000, with non-current assets going up by PLN 158,814,000 and current assets going up by PLN 59,461,000. As far as non-current assets are concerned, the change of greatest importance is the increase in the value of property, plant and equipment by 5.0%. As far as current assets are concerned the most important change is a drop in value of cash and equivalents by 32.7%.

As at 31 March 2020 the ROA figure was 5.4%, while as at the end of 2019 it was 7.5%.

Equity and liabilities

The equity went up by 1.0%. It was solely an effect of the comprehensive income generated for Q1 2020.

Provisions and liabilities went up by 6.4% compared to the value as at 31 December 2019, with current liabilities going up by 17.1% (main increase in trade and other liabilities), while non-current liabilities went up by 0.3% (including mainly liabilities on account of the deferred income tax and liabilities on employee benefits).

At 31 March 2020 a decrease in ROE was recorded (by 2.8 p.p.) compared to the end of 2019.

The value of the ratio as at 31 March 2020 was 7.2% compared to 10.0% as at 31 December 2019.





Cash flow
LW Bogdanka Group

Cash flow

[PLN '000]	Q1 2019	Q1 2020/	Change
Cash flow from (used in) operating activities	150,260	77,349	-48.5%
Cash flow from (used in) investing activities	-147,673	-200,190	35.6%
CFFO*	2,587	-122,841	-
Cash flow from (used in) financing activities	-2,228	-2,198	-1.3%

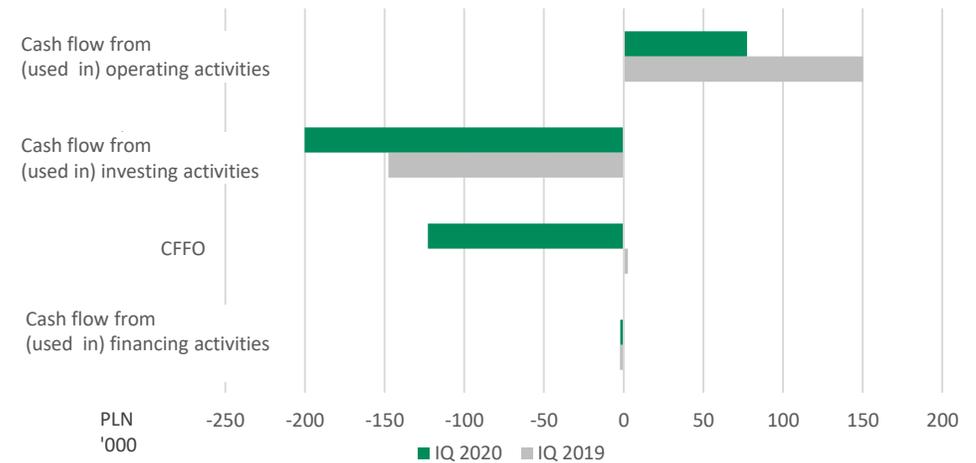
*total cash flow from operating and investing activity

In Q1 2020 the Group generated net cash flow from operating activities lower by 48.5% than in Q1 2019. In 2020 it amounted to PLN 77,349,000 compared to PLN 150,260,000 in 2019.

The decrease by PLN 72,911,000 in cash flow from operating activities is primarily related to the decrease in the pre-tax profit/loss. The pre-tax profit in Q1 2020 amounted to PLN 43,563,000, while in Q1 2019 it equalled PLN 131,804,000, which means a change of PLN 88,241,000 y/y.

Cash flow from investing activities increased (in absolute terms) in Q1 2020 by 35.6% (to PLN -200,190,000) compared to the same period in 2019.

In Q1 2020 the Group recorded negative flow from financing activity in the amount of PLN -2,198,000 (mainly as a result of repayment of credits and loans and payment of liabilities under financial lease agreements).





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. 2019	31 Mar. 2020	Change
Overall debt ratio (ratio of total liabilities to total assets)	24.1%	25.0%	0.9 p.p.
Ratio (debt plus employee liabilities)/EBITDA	0.27	0.31	14.8%
Net debt ratio/EBITDA*	-0.48	-0.36	-25.0%
Debt to equity ratio ratio of total liabilities to equity	31.7%	33.4%	1.7 p.p.
Fixed capital to non-current assets ratio (non-current assets/fixed capital)	105.6%	102.0%	-3.6 p.p.
Current debt ratio (current liabilities/equity and liabilities)	8.8%	10.1%	1.3 p.p.
Non-current debt ratio (non-current liabilities/equity and liabilities)	15.3%	15.0%	-0.3 p.p.

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

	31 Dec. 2019	31 Mar. 2020	Change
Current liquidity ratio	2.13	1.66	-22.1%
Quick liquidity ratio	1.83	1.33	-27.3%

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 31 March 2020 went up by 0.9 p.p. compared to 31 December 2019 and reached 25.0% - main increase was recorded in the share of trade and other liabilities. The level of the Group's debts as at 31 March 2020 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 Q1 2020 increased by 14.8% to 0.31. When comparing data as at 31 March 2020 to 31 December 2019, debt showed an increase while EBITDA dropped (cumulatively for four quarters).

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 increased from -0.48 as at 31 December 2019 to -0.36 as at 31 March 2020. The value of net debt dropped by ca. PLN 124 million and amounted to PLN -244 million with EBITDA going down by ca. PLN 88 million (EBITDA cumulatively for the last four quarters).

Debt to equity ratio

Debt to equity ratio as at 31 March 2020 increased in relation to 31 December 2019 by 1.7 p.p. and was 33.4% - liabilities and provisions grew by ca. PLN 66 million along with an increase in equity by ca. PLN 34 million.

Fixed capital to non-current assets ratio

The fixed capital to non-current assets ratio was 102.0% (as at 31 March 2020) compared to 105.6% (as at 31 December 2019) – in the analysed period the value of non-current assets increased by approx. PLN 159 million and fixed capitals (equity plus non-current liabilities less provisions), by approx. PLN 35 million.



Turnover ratios at the LW Bogdanka Group

Turnover ratios

[PLN '000]

			31 Dec. 2019	31 Mar. 2020	Change
1. Inventory turnover	$\frac{\text{average inventories}}{\text{costs of goods, products and materials sold}} \times$	days in the period	21	26	23.8%
2. Debtors collection rate*	$\frac{\text{Average receivables}}{\text{revenue}} \times$	days in the period	37	47	27.0%
3. Creditors payment rate**	$\frac{\text{average liabilities}}{\text{costs of goods, products and materials sold}} \times$	days in the period	71	83	16.9%
4. Operating cycle	1+2		58	73	25.9%
5. Cash conversion cycle	4-3		-13	-10	-23.1%

* Trade and other receivables

** Trade and other liabilities

Inventory turnover

The inventory turnover as at 31 March 2020 went up to 26 days, compared 31 December 2019. Disposal of inventories takes on average 5 days more.

Debtors collection rate

The debtors collection rate (calculated on the basis of the balance-sheet item "Trade and other receivables") was 47 days (as at 31 March 2020), compared to 37 days (as at 31 December 2019). In the period under analysis, average receivables increased by approx. PLN 18 million, with the revenue going down.

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 got longer by 12 days to 83 days, as compared to the end of 2019. In the analysed period the Group had higher average level of short-term trade liabilities (by approx. PLN 31 million).

Operating cycle

The operating cycle for current assets (a sum of inventory turnover and debtors collection rate) in the analysed period lengthened by 15 days to 73 days. On average after 73 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 31 March 2020 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 31 Mar. 2019	As at 31 Dec. 2019	As at 31 Mar. 2020	Change Q1 2020/ 31 Dec. 2019	Change Q1 2020/ Q1 2019
Employee provisions	174,489	191,965	199,346	3.8%	14.2%
Provision for real property tax	43,723	10,306	10,457	1.5%	-76.1%
Provision for the mine closure costs and land reclamation	124,817	171,635	172,047	0.2%	37.8%
Mining damage	3,128	2,149	2,104	-2.1%	-32.7%
Other	11,968	12,237	12,837	4.9%	7.3%
Total	358,125	388,292	396,791	2.2%	10.8%

The total provisions as at 31 March 2020 amounted to PLN 396,791,000, which means an increase by 2.2% compared to the value as at 31 December 2019.

Change in provisions

[PLN '000]	Change Q1 2019	Change Q1 2020	Change Q1 2020/Q1 2019
Employee provisions	9,333	7,381	-20.9%
Provision for real property tax	2,292	151	-93.4%
Provision for the mine closure costs and land reclamation	610	412	-32.5%
Mining damage	-56	-45	-19.6%
Provision for Social Insurance Institution (ZUS) claim for accident contributions	-22,658	-	-100.0%
Other	85	600	605.9%
Total	-10,394	8,499	-181.8%

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

[PLN '000]	Change of provisions in Q1 2020	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	7,381	15,611	839	-	-	-9,069
Provision for real property tax	151	0	151	-	-	-
Provision for the mine closure costs and land reclamation	412	664	876	-1,128	-	-
Mining damage	-45	-	-	-	-	-45
Other	600	670	73	-	-	-143
Total	8,499	16,945	1,939	-1,128	-	-9,257





Costs in LW Bogdanka S.A.

Costs by type

[PLN '000]	Q1 2019	Q1 2020/	Change
Net production ['000 tonnes]	2,532	2,066	-18.4%
Sales ['000 tonnes]	2,365	1,918	-18.9%
Amortisation	92,523	87,212	-5.7%
Materials and energy consumption	128,109	126,318	-1.4%
Outsourced services	127,183	119,362	-6.1%
Employee benefits	135,832	147,750	8.8%
Entertainment and advertising costs	2,149	3,181	48.0%
Taxes, fees and charges	12,246	13,198	7.8%
Other costs	1,010	524	-48.1%
Total costs by type	499,052	497,545	-0.3%
Cost of own work	-60,073	-73,872	23.0%
Accruals and deferrals	18,481	20,159	9.1%
Value of coal obtained from excavations	-25,500	-12,812	-49.8%
Provisions and other presentation adjustments between costs by type and by function	20,970	19,285	-8.0%
Total production cost	452,930	450,305	-0.6%
Change in products	-25,983	-31,797	22.4%
Costs of goods and materials sold	5,698	3,362	-41.0%
Own cost of sales, including:	432,645	421,870	-2.5%
Costs of products, goods and materials sold	397,992	382,928	-3.8%
Selling costs	9,136	7,950	-13.0%
Administrative expenses	25,517	30,992	21.5%

Q1 2020

In Q1 2020, LW Bogdanka S.A. incurred costs by type in the amount of PLN 497,545,000 (PLN -1,507,000 y/y), i.e. by 0.3% lower than in Q1 2019. The decrease in costs noted in Q1 2020 was largely influenced by, in particular, lower value of depreciation/amortisation, consumption of materials and energy, external services and other costs. This drop was compensated with an increase, by PLN 11,918,000, in employee benefits.

The value of depreciation and amortisation went down by 5.7% (to PLN 87,212,000) – the value of depreciation of non-current assets fell (PLN -4.2 million) and so did natural depreciation which is a derivative of lower extraction and less wall progress (PLN 1.7 million).

The total value of materials and energy consumption decreased by 1.4% compared to the first quarter of 2019, and amounted to PLN 126,318,000. In the period under analysis the value of materials used dropped with rising electricity costs (increase in purchase prices).

The value of external services in Q1 2020 compared to Q1 2019 went down from PLN 127,183,000 to PLN 119,362,000 (-6.1%). In the period under analysis, the Company recorded decreases in services related to drilling and redevelopment of excavations (PLN -1.8 million), mining & drilling and excavation works on working days and on Sundays and holidays (PLN -4.3 million), with a concurrent drop in the costs of service of stone removal for land reclamation (PLN -2.1 million).

In Q1 2020, compared to Q1 2019, the value of employee benefits increased by PLN 11,918,000. Average employment in LW Bogdanka S.A. increased by approx. 143 people, and, in accordance with agreements signed with trade unions, salaries raised in addition, Q1 2020 is charged with the costs of PPE, which was introduced in the LW Bogdanka Group in Q2 2019.

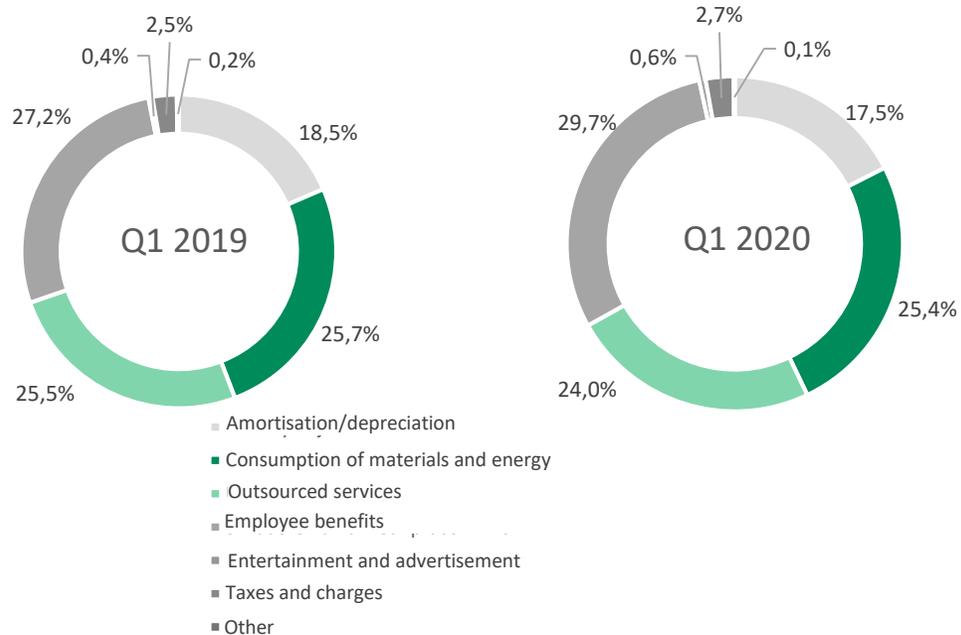
Increase in value of entertainment and advertising costs by 48.0% is a result of, among other things, from a change in the schedule of payments under the agreement with Górnik Łęczna, as well as other sponsorship agreements, concluding advertising agreements and purchase of advertising materials and gadgets in connection with the new Company image policy.

The increase in taxes and charges by approx. PLN 1.0 million is primarily attributable to an increase in real property taxchange (in the tax base - underground excavations), the National Fund for the Disabled and others (PLN +1.9 million) with a lower service charge (PLN -1.0 million).



Costs in LW Bogdanka S.A.

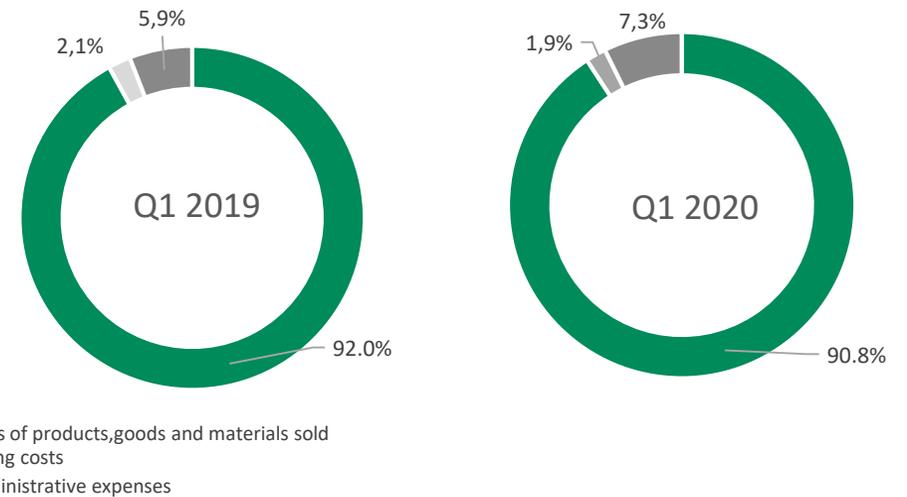
Costs by type



In Q1 2020 (compared to the same period of the previous year) the share of employee benefits, taxes and charges and entertainment and advertising costs went up (to 29.7%, 2.7% and 0.6%, respectively). Concurrently drop was recorded in the share of amortisation / depreciation (to 17.5%), consumption of materials and energy consumption (to 25.4%), outsourced services (to 24.0%) and other costs (to 0.1%). Between 1 January 2020 and 31 March 2020 the consumption of materials and energy, outsourced services as well as employee benefits accounted for more than 79% of costs, and the figure was comparable to that recorded in the same period of 2019.

Having adjusted costs by type of the change in products and accruals and deferrals, the costs of own work and the costs of goods and materials sold, we obtain own selling cost which for Q1 2020 amounted to PLN 421,870,000. As compared to the same period of the previous year, it is lower by 2.5% (with a decrease by 18.4% in net production).

Costs by function



Costs by function

The cost of own production sold (by function) in Q1 2020 amounted to PLN 421,870,000 while in the analogous period of the previous year, it was PLN 432,645,000.

[PLN '000]	Q1 2019	Q1 2020/	Change
Costs of products, goods and materials sold	397,992	382,928	-3.8%
Selling costs	9,136	7,950	-13.0%
Administrative expenses	25,517	30,992	21.5%
Own cost of sales	432,645	421,870	-2.5%



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 Łęczyńska 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 amounts determined on the basis of in-house financial forecasts). As at the moment of preparing the information, there is a risk related to the developing epidemic of SARS-Cov-2 coronavirus causing the COVID-19 disease. At present the Management Board finds it impossible to forecast the results of this situation both in the scale of Poland and the industry, and in consequence - impossible to state how it will affect operating and

financing activity of the Company in subsequent quarters.

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 workings, 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 31 March 2020, 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 March 2020 stood at PLN 391,711,000, of which:

- PLN 134,010,000 disclosed in non-current assets,
- PLN 257,701,000 is disclosed under current assets.

The amount of PLN 134,010,000 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 257,701,000 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 237,375,000, while the funds accumulated at subsidiaries amount to PLN 20,326,000 (primarily to Łęczyńska Energetyka).

Assessment of factors an untypical events affecting the operating profit

The Company's operating results in Q1 2020 are primarily a consequence of reduced demand for thermal coal from the commercial power plants and the heat sector, due to a warm and windy winter. The developing epidemic of SARS-Cov-2 coronavirus causing the COVID-19 disease did not materially affect the Company's operations in Q1 2020. However, due to the facts that the abovementioned events intensified as late as at the end of the first quarter 2020, their impact on financial results and the Group's operating activity in the discussed period is relatively small. At the present moment it is impossible to quantify the impact of these events, nevertheless problems caused by the virus epidemic [problems with employees availability, reduced supplies, materials availability, lower demand (including decrease in electric energy consumption which is followed by a lower demand for for coal)] and the protection measures taken for counteracting virus infection, on one hand result in higher operating costs and on the other - in reducing production and reducing the economy of scale, which eventually affects the financial result.

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

In Q1 2020 no material off-balance sheet items occurred.





Information on financial instruments, bonds

Information on derivative financial instruments

As at 31 March 2020, the Parent did not hold any open derivative financial instruments.

Bonds

As at 31 March 2020 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 quarterly report as compared to the forecast results.

LW Bogdanka did not publish projections of financial results for 2020.

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

Condensed interim consolidated financial statements of the LW Bogdanka Group and condensed interim consolidated financial statements of LW Bogdanka S.A. for the first half of 2020 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.

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 Q1 2020 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 Q1 2020 the Company did not contract or grant any loans or terminate any agreements concerning loans.

Information on sureties and guarantees provided and received

In Q1 2020, the LW Bogdanka S.A. did not grant (or receive) any sureties.

Transactions with related undertakings

In Q1 2020 the Parent and its subsidiaries did not conclude transactions with related entities which would be individually or jointly significant and 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 11 of the Consolidated Quarterly Report of the LW Bogdanka Group for three months ended on 31 March 2020.

Guarantees granted by LW Bogdanka S.A.

In Q1 2020, LW Bogdanka S.A. did not provide any guarantees.

Guarantees received by LW Bogdanka S.A.

As at 31 March 2020, LW Bogdanka S.A. did not order banks to issue guarantees.

Contracted loans.

In Q1 2020, LW Bogdanka S.A. did not have any active loan agreement.

On 12 May 2020, the Parent's Management Board entered with Bank Gospodarstwa Krajowego S.A. into a revolving overdraft facility agreement with a limit of PLN 150 million. The facility is a revolving overdraft facility and serves for financing the ongoing operations of the Parent; it bears interest based on 1M WIBOR 1M + margin. The agreement was concluded for the period of 12 months and is scheduled for repayment by 12 May 2021.

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 31 March 2020 Łęczyńska Energetyka sp. z o.o. did not use any third-party financing for its operations.

In Q1 2020 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.





4

Shares and shareholding



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

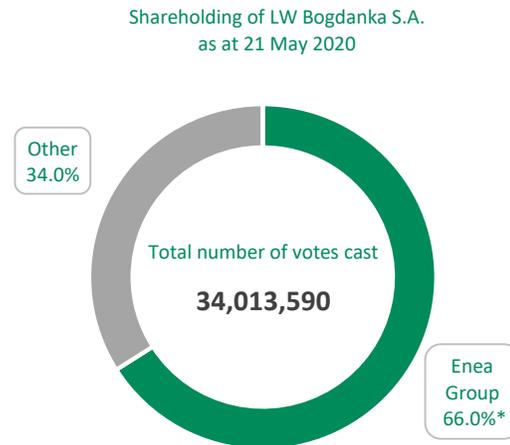
In Q1 2020 LW Bogdanka S.A. and its subsidiaries did not acquire any treasury shares of the Company.

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 Report for 2019.

Shareholding structure

The graph below shows a shareholding structure of the Company as at 21 May 2020.



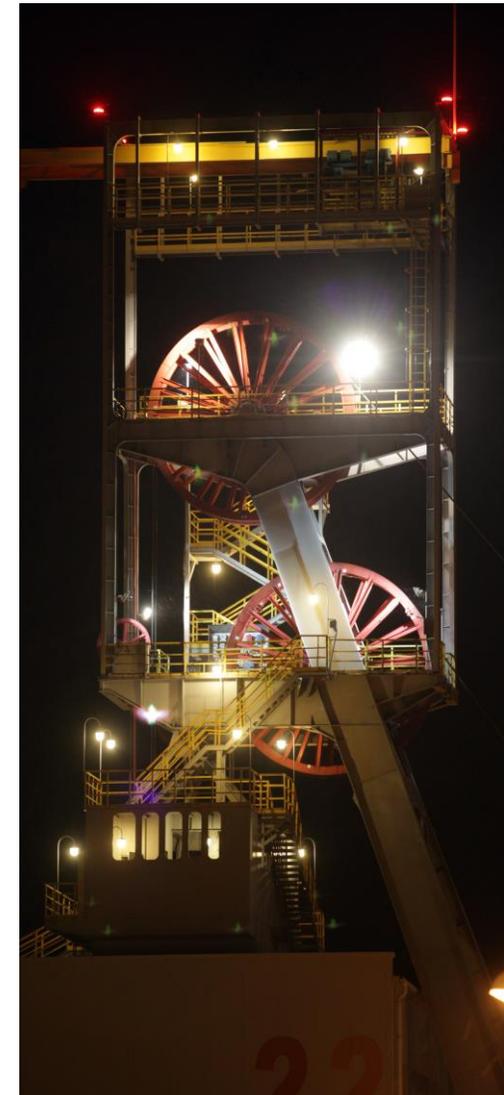
* Enea S.A. holds 64.6% of votes, and jointly with its subsidiary, Enea Wytwarzanie, it holds 66.0% of votes.

Participation of the LW Bogdanka's shares in indices

The Company was first listed on the Warsaw Stock exchange on 25 June 2009. In Q1 2020, LW Bogdanka S.A. made part of the following indices:

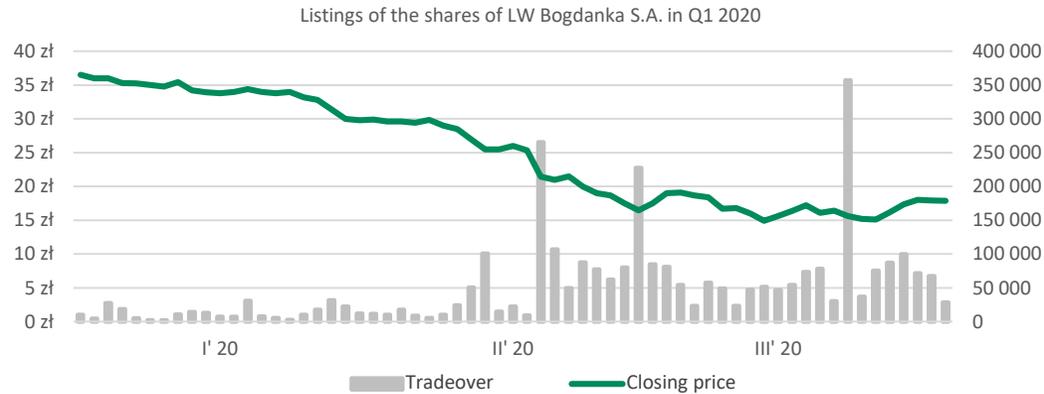
- WIG – includes all companies listed on the WSE Main Market that meet the baseline criteria of the participation in indices.
- mWIG40 – includes 40 medium-sized companies listed on the WSE Main Market. The Company has been present in this index since 18 December 2015.
- WIG Górnictwo – includes companies 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.
- Investor MS - Investor MS Index is an external index calculated by the stock exchange on commission of Investors TFI S.A. The functionality of the index is to assess behaviour of share prices of companies with medium and small market cap, which make an investment area of the “Investor Top 25 Małych Spółek FIO” fund (open-end fund of top 25 small companies).
- Respect Index – index of socially responsible companies.

WIG 40 2.13%	WIG Poland 0.21%	WIG-GORNICTWO 2.10%
RESPECT Index 0.43%	InvestorMS 0.33%	WIG 0.20%





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



Analysts' recommendations

Date of Issue	Institution	Recommendation	Target price	Price on the date of issue
18 February	IPOPEMA Securities	Sell	PLN 19.05	PLN 25.35
19 February	Santander	Sell	PLN 25.00	PLN 21.45
24 February	Erste	Sell	PLN 18.80	PLN 20.00

The above information is the summary of broker recommendation within the meaning of the Delegated Regulation of the Commission (EU) 2016/1958 dated 9 March 2016.

Key share indicators:	Q1 2018	Q1 2019	Q1 2020/
Maximum price [PLN]	70.70	56.50	36.50
Minimum price [PLN]	45.20	44.60	14.90
Last price [PLN]	46.70	47.55	17.90
Average price [PLN]	61.12	52.31	25.02
Capitalisation at end of period [PLN million]	1,588.4	1,617.3	608.8
Book value [PLN million]	2,924.7	3,037.9	3,262.2
Price/earnings ratio	76.0	15.1	
Price/book value	0.6	0.5	0,2
Rate of return at end of period [%]	-30.1	-8.6	-49.4
Dividend rate [%]	-	-	-
Average turnover per session [PLN '000]	1,084.0	1,095.6	980.5
Average volume per session	18,317	22,643	49,099
Number of shares in float [no. of shares]	34,013,590	34,013,590	34,013,590





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.

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 21 May 2020	Par value of the shares (PLN)	The number of the Company shares as of 25 March 2020	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 21 May 2020	Par value of the shares (PLN)	The number of the Company shares as of 25 March 2020	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	The number of the Company shares as of 21 May 2020 253	Par value of the shares (PLN) 1,265	The number of the Company shares as of 25 March 2020 253	Par value of the shares (PLN) 1,265	Number of shares in subsidiary companies 0

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



5

Governing bodies



Composition of the Management Board of LW Bogdanka S.A. as at 21 May 2020



Artur Wasil
President of the Management Board

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.



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

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.



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

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.

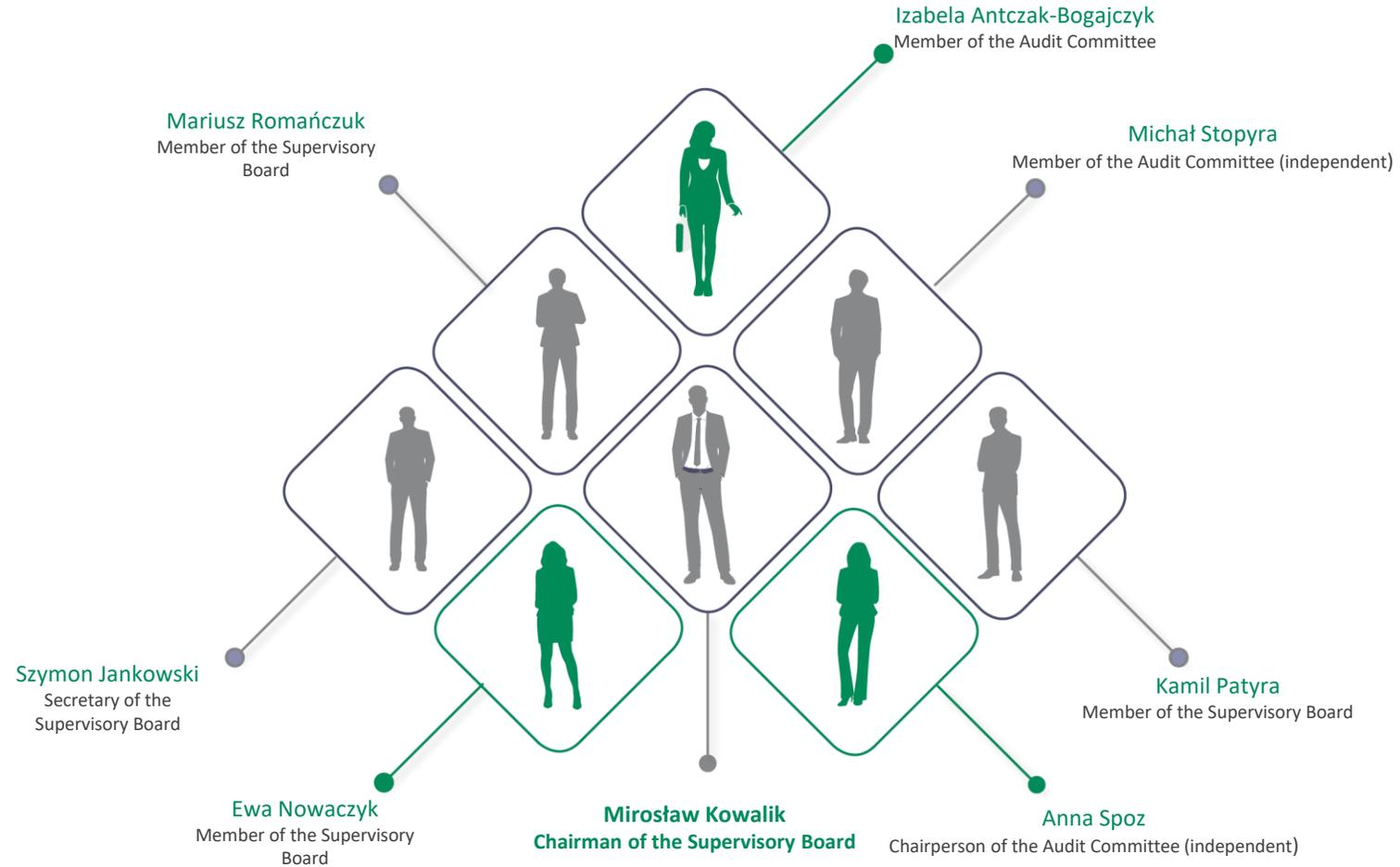


Dariusz Dumkiewicz
Vice-President of the Management Board Development

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.



Composition of the Supervisory Board of LW Bogdanka S.A. as at 21 May 2020





Composition of the Company's Supervisory Board as at 21 May 2020

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. From 2018 he has held a position of Senior Underground OHS 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. In 2019 he completed the Executive Doctor of Business Administration programme at the Institute of Economics of the Polish Academy of Sciences. LW Bogdanka S.A. He has worked for LW Bogdanka S.A. since 1989. Currently, he holds the position of Manager of Blasting Team.

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
- **APM** – alternative performance measures



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, 21 May 2020



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