



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

14.6%

Share in the thermal coal market in Poland

19.8%

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

25.0%



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Summary of operations



Operating data of the LW Bogdanka Group

Gross coal extraction – 5.5 million tonnes

Production of commercial coal – 3.7 million tonnes

Yield – 66.8%

Sale of commercial coal – 3.5 million tonnes

New excavations – 13.1 km

Employment at the LW Bogdanka Group

Headcount at the end of H1 2020 – 5,630 FTJs

Decrease in headcount comparing to 2019 – 0.4%

Financial data of the LW Bogdanka Group

Revenue on sales – PLN 849.0 million

Profit on sales – PLN 49.0 million

EBIT – PLN 49.9 million

EBITDA – PLN 221.1 million

Net profit – PLN 36.7 million





Key events in the first half 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 21)

Q2 2020 and events until the publication date

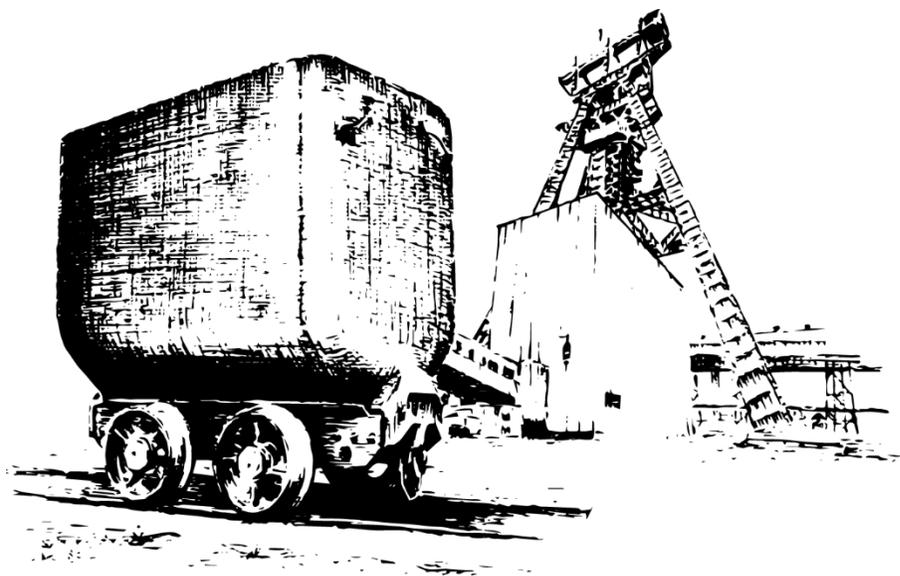
- Management Board's recommendation regarding the allocation of the net profit for 2019 to the reserve capital of the Company received a positive opinion from the Company's Supervisory Board
- session of the Extraordinary General Shareholders Meeting of LW Bogdanka S.A.
- concluding an Annex with Enea Elektrownia Połaniec S.A.
- court registration of the amendments in the Articles of Association of LW Bogdanka S.A.
- session of the Annual General Shareholders Meeting of LW Bogdanka S.A.
- session of the Extraordinary General Shareholders Meeting of LW Bogdanka S.A.
- appointment of the Supervisory Board members for a new three-year joint term of office,





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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.

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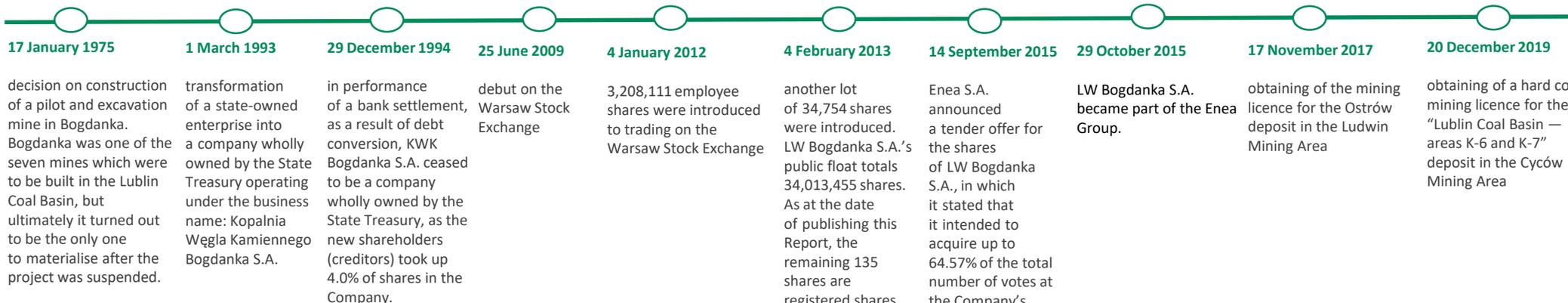
Legal form and regulations which provide a basis for the Company's activities

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
- Act of 9 June 2011 – Geological and Mining Law (Dz.

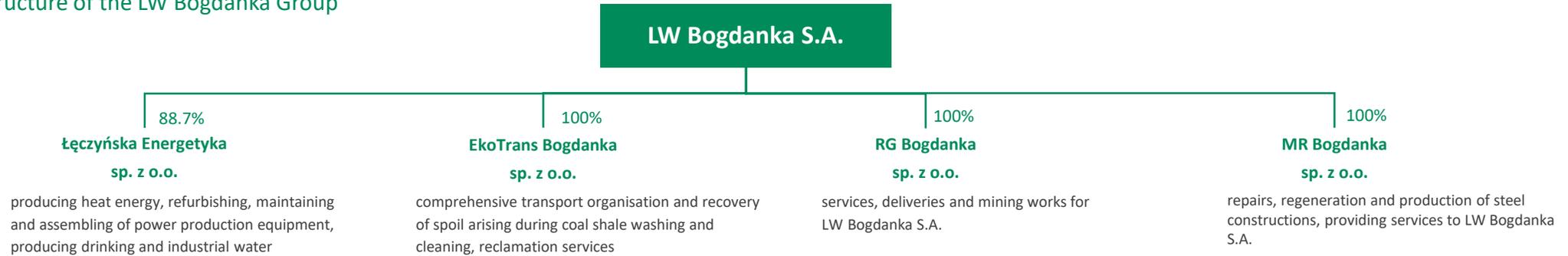
The founder of the Company is the State Treasury, represented by the Minister of the State Treasury. The Company may operate in Poland and abroad. The Company was established for an indefinite term.

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 H1 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 Kozielnice-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.

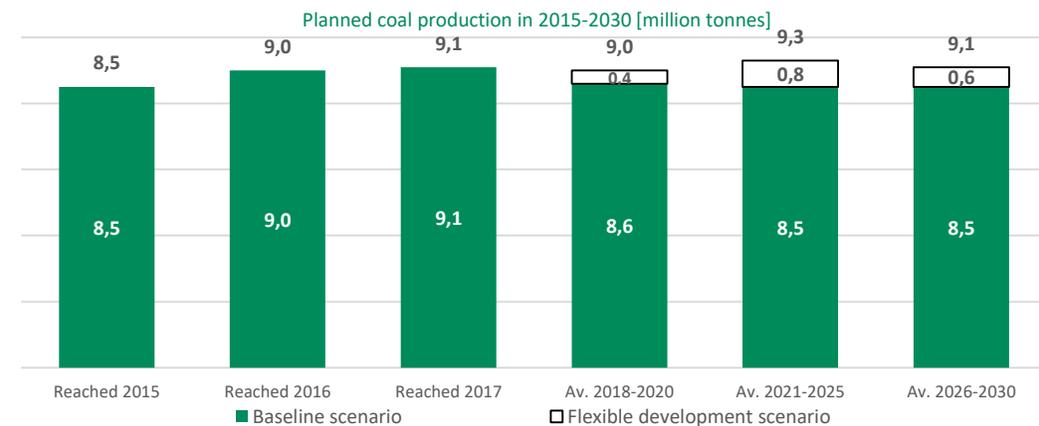
Until 2030, a key direction for the Parent will be the development of infrastructure in the Ludwin Mining Area (Ostrów deposit) - according to preliminary estimates the Parent will spend there about PLN 1.2 – 1.3 billion (in real terms) after 2025. This project is to ensure that the shaft complex in 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 H1 2020

In H1 2020, LW Bogdanka S.A. performed the planned investment tasks. In this respect capital expenditures for non-current assets totalled PLN 398,199,000.

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, enlargement of the coal storage yard 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 H1 2020 LW Bogdanka S.A. purchased and assembled machines and equipment for a total amount of PLN 57,208,000 including costs of assembling. The most important items include: belt conveyors, PEGAZ Leg-Support Device, JOY cutting machine, sections of the mechanised wall lining.

Purchases of finished goods (machines and equipment) – the finished goods worth PLN 8,882,000 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.

Upgrades and repairs of machines and equipment – the amount of PLN 4,742,000 was assigned for the modernisation of hoists, modernisation of BEVEX suspended locomotives.

Longwalls

Purchase and assembly of longwall systems – PLN 167,115,000 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 23,000. Design works are underway regarding enlargement as part of Stage II.

Enlargement of the coal storage yard - expenditure of PLN 423,000 was incurred for the redevelopment of a dike protecting the mine area at the side of underground water reservoir.

Power, telecommunications and mechanical installations – PLN 1,042,000; the investment included the expansion of the power engineering networks.

MCCP replacement projects – PLN 899,000 was assigned for further modernisation of steel structures and MCCP facade.

Construction and modernisation of facilities and installations related to core operations – PLN 9,884,000 – 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 817,000 was allocated for the purchase of gantry crane in Stefanów, hardening the yard next to the lift machinery building in Nadrybie.

ICT – PLN 983,000 was allocated for the purchase of computer equipment and systems.

OPERATIONAL INVESTMENTS LW BOGDANKA S.A.



New excavations 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 the H1 2020 was equal to 9.9 km (total: 11.3 km) with the value of PLN 110,710,000.

Modernisation of workings with respect to reconstruction of galleries, vertical excavations and modernisation of storage reservoirs was performed in accordance with the adopted schedules, and its total value was PLN 35,386,000.



Investment projects completed in H1 2020

The LW Bogdanka Group companies incurred expenditure for non-current assets of PLN 1,287,000.

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

Łęczyńska Energetyka

Investment tasks completed in H1 2020 included: expansion of the Water Treatment Station in Bogdanka and projects related to production, transmission and distribution of heat, assembly of heating equipment.

In H1 2020 the Company's capital expenditure totalled PLN 1,089,000.

RG Bogdanka, MR Bogdanka and EkoTrans Bogdanka

In H1 2020 incurred capital expenditure in the total amount of PLN 198,000. 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 H1 2020	Performance of PTE in H1 2020 [%]
New workings and upgrade of existing ones	293,582	146,096	49.8%
Maintenance of machinery	126,775	70,832	55.9%
Obtaining new licences	350	0	-
Ostrów Field	2,950	450	15.3%
Longwalls	166,750	167,115	100.2%
Other development investments	37,909	11,848	31.3%
ICT	6,705	983	14.7%
Administration	30	36	120.0%
Transport	95	0	-
Other	5,476	839	15.3%
TOTAL CAPEX in LW Bogdanka S.A.	640,622	398,199	62.2%
Łęczyńska Energetyka Sp. z o.o.	10,800	1,089	10.1%
Other subsidiaries	2,739	198	7.2%
TOTAL CAPEX AT THE LW BOGDANKA GROUP	654,161	399,486	61.1%

Capital expenditure for excavations in H1 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	6,873.9			
Basic excavations	linear	3,028.6	24,635	170,731	146,096
Reconstructions	linear / natural	1,800.9			

In H1 2020, 11,324.2 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 35,386,000. The total expenditure incurred on the new workings and on the modernization of the existing ones amounts to PLN 110,710,000.

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 1421.7 m.



Coal prices on the international market

CIF ARA coal prices

- USD 42.6/tonne - the average coal price (CIF ARA) in Q2 2020, i.e. -21.8% (compared to USD 54.5/tonne in Q2 2019)
- comparing to the average coal price (CIF ARA) in Q1 2020, (USD 48.9/tonne), it's a decrease by 12.9%
- average price in H1 2020 was USD 45.7/tonne, down by 29.0% y/y, (USD 64.4/tonne)

Inventories in ARA ports

- 5.8-6 million tonnes of coal inventories at the end of June 2020 in ARA ports – similarly as at the end of March 2020

Prices in the world's main ports

- The average coal price FOB Baltic Ports in Q2 2020 amounted to USD 44.0/tonne, i.e. -13.9% (USD 51.1/tonne) compared to Q2 2019
- comparing to the average coal price in Q1 2020, i.e. USD 47.0/tonne, down by 6.4%
- average price in H1 2020 was USD 45.5/tonne, i.e. down by 25.4% y/y (USD 61.0/tonne)

China

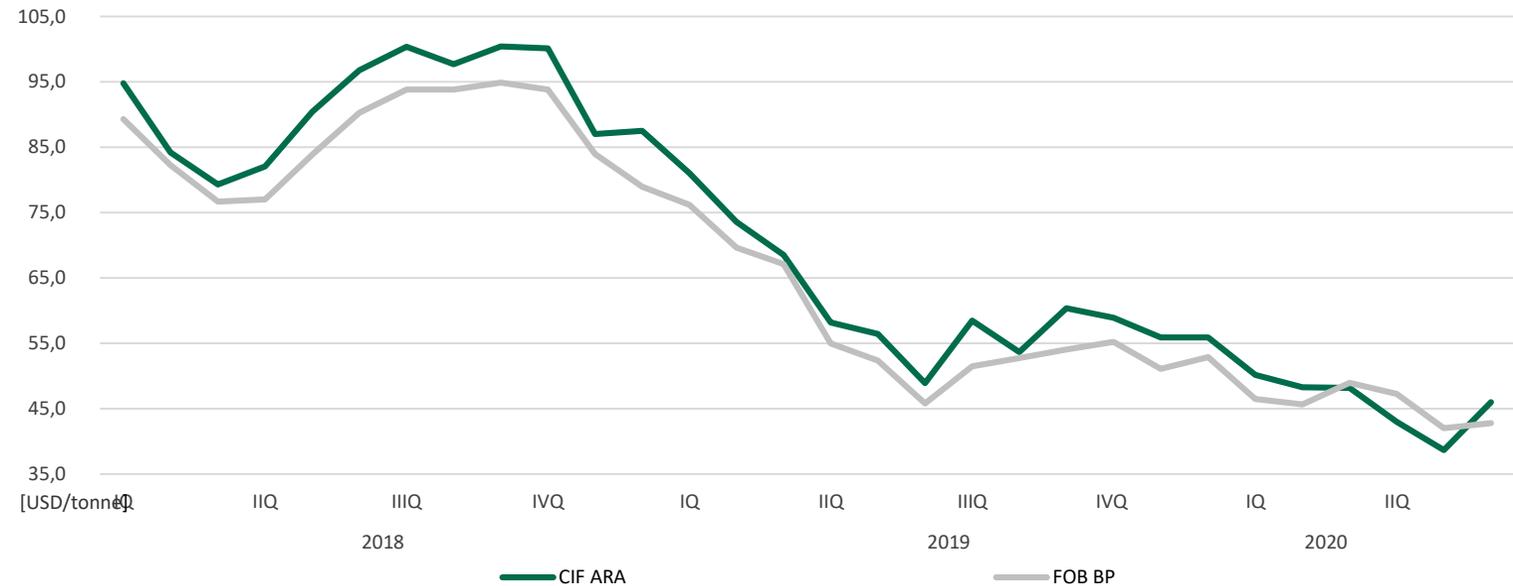
- approx. 1.6 billion tonnes of coal were produced in H1 2020, -11.1% compared to H1 2019 (1.8 billion tonnes)
- imports in H1 2020 were 174.0 million tonnes – up by approx. 12.6% compared to H1 2019 (154.5 million tonnes)

USA

- production in H1 2020 – 237.8 million tonnes, -30.0% compared to H1 2019 (339.7 million tonnes)
- consumption in H1 2020 – 183.9 million tonnes, -29.2% compared to H1 2019 (259.8 million tonnes)
- exports in H1 2020 – 32.7 million tonnes of hard coal, -27.7% y/y

Russia

- production in H1 2020 – 195.0 million tonnes, -8.0% y/y
- exports in H1 2020 – 88.0 million tonnes, -6.2% y/y





Fine thermal coal prices in the domestic market

Fine thermal coal prices

- in Q2 2020, the average annual price of fine thermal coal for commercial power plants was PLN 11.69 per GJ, the change dynamics was ca. 3.1% y/y
- in H1 2020 (PLN 11.70 per GJ) – up by 2.5% compared to H1 2019 (PLN 11.41 per GJ).
- average heating value of fine coal for commercial power plants was about 21.6 GJ.

Prices based on the PSCMI index

- in Q2 2020 the average price based on the PSCMI index was about PLN 12.03 per GJ, compared to average price in Q2 2019 (PLN 11.97 per GJ) represents an increase by approx. 0.5%
- in H1 2020 the price stood at the level of PLN 12.03 per GJ, PLN 11.93 per GJ in 2019, increase by 0.8%





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

Production of thermal coal in Poland

- in H1 2020, the production of thermal coal amounted to about 20.6 million tonnes, which represents a decline of 17.3% y/y

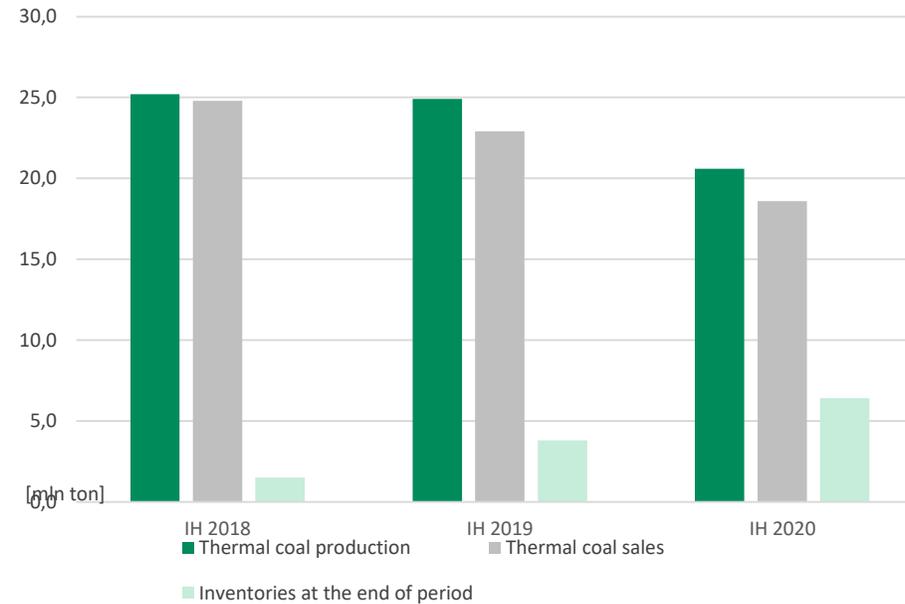
Sales of thermal coal market in Poland

- sales in H1 2020 amounted to about 18.6 million tonnes, including about 6.5 million tonnes of thermal fine coal sold to commercial power plants
- sales of thermal coal decreased by about 18.8% in comparison to H1 2019

Inventories of coal in Poland

- the level of thermal coal inventories at the end of H1 2020 totalled 6.4 million tonnes (at the end of H1 2019 – 3.9 million tonnes)

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





Sales of thermal coal on 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 12.2 million tonnes of thermal fine coal. The most important customers from the commercial power industry are as follows:

- Tauron
- PGE
- Enea
- PGNiG
- ENERGA

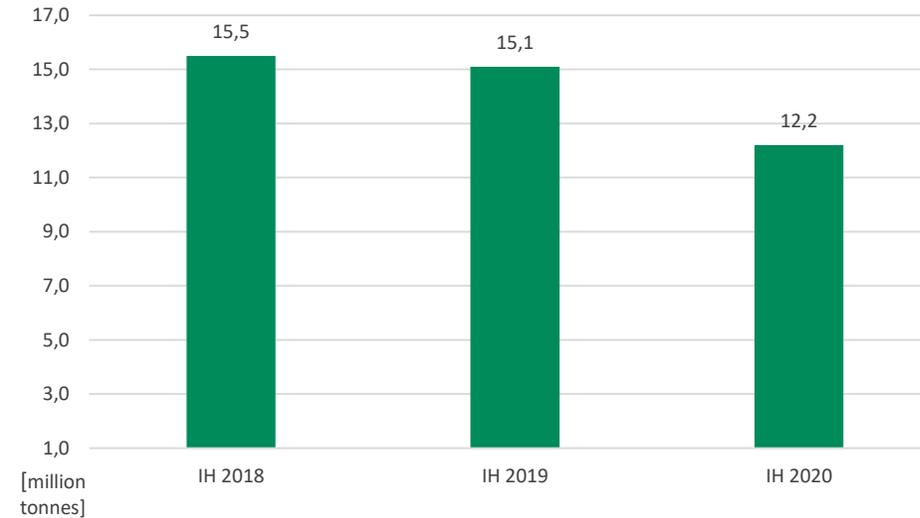
Sales of thermal coal market in Poland

In H1 2020, about 18.6 million tonnes of thermal coal were sold in Poland. 18.1 million tonnes of thermal coal were delivered to the domestic market, including 12.2 million tonnes of thermal fine coal.

Export of coal

About 1.9 million tonnes of coal were exported, including approx. 0.5 million tonnes of thermal coal.

Sales of thermal coal to commercial power plants





Electricity generation in Poland

Electricity generation - total

- In H1 2020, 74,093 GWh of electricity was produced, which represents a decrease of 6.343 GWh (-7.9%) versus the same period of 2019.

Power generation from coal

- Coal was the main fuel used to produce electricity. In H1 2020 it was used to produce 52,504 GWh, which was a decrease by 8,037 GWh (-13.3%) compared to H1 2019.
- In H1 2020 coal accounted for 70.9% of total electricity production in Poland, but its share in the fuel mix went down by 4.4% in comparison with H1 2019.

Power generation from hard coal

- Hard coal served for producing electricity of 33,835 GWh (down by 13.5% compared to H1 2019).

Power generation from lignite

- Lignite was used to produce 18,669 GWh of electricity (12.9% less than in H1 2019).

Power generation by wind farms

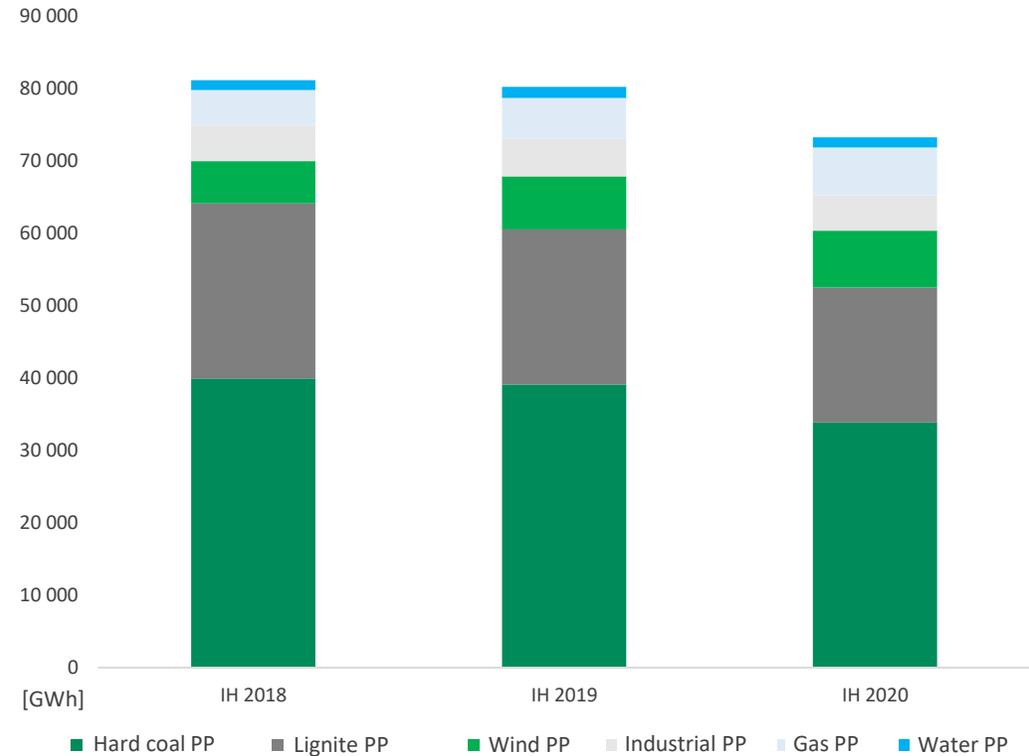
- Wind farms produced 7,859 GWh of electricity, which represents an increase by 7.0% in comparison with H1 2019. Wind made up about 10.6% of electricity production.

Power generation by gas-fired power stations

- Gas power plants produced 6,633 GWh of electricity, which was an increase of 16.9% compared to H1 2019. Production of energy in gas power plants achieved the highest growth dynamics y/y.

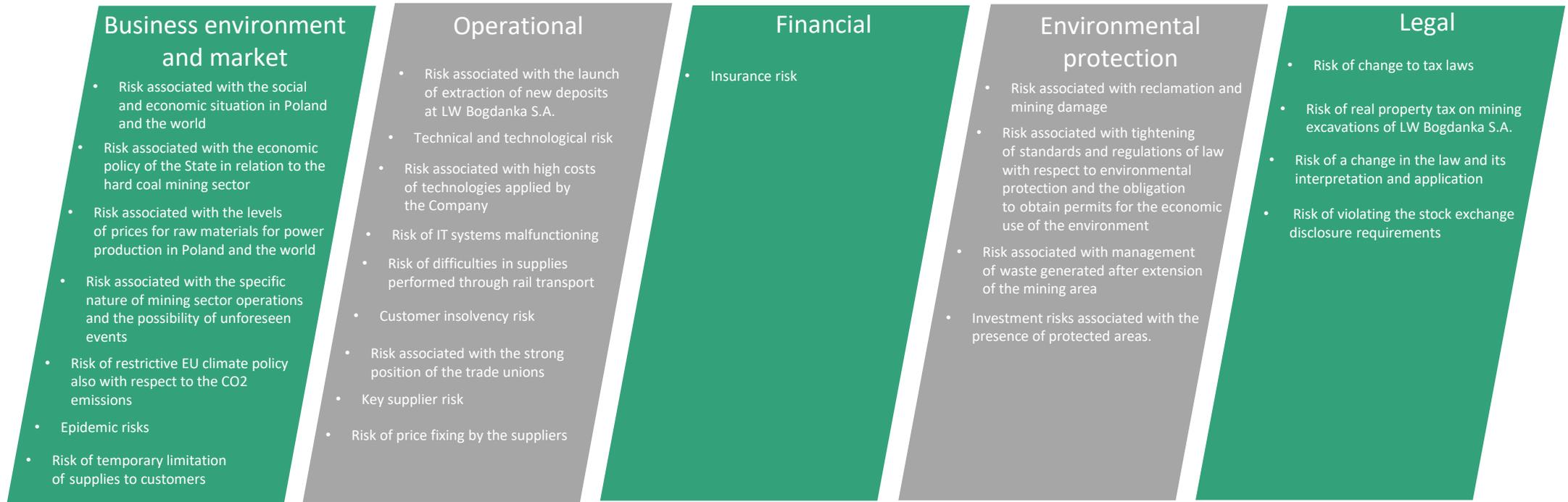
Electricity consumption on the domestic market

- In H1 2020, the use of electricity totalled about 80,640 GWh, which represents a decrease of 4.338 GWh (-5.2%) versus the same period of 2019.





Main risks to the Group by category





Risk associated with the social and economic situation in Poland and in the world

Risk associated with the social and economic situation in Poland and the world

Factors that influence the financial results of LW Bogdanka S.A.:

- Directions and rate of changes in domestic and global GDP, including the change in volume of industrial production
- the demand for electricity and heat energy
- prices of raw materials on global markets
- balance of exports and imports of coal from and to Poland
- the level of inflation
- the rate of unemployment

Countermeasures: monitoring all factors, adapting the activities to the market situation and business environment, planning future actions, controlling costs, entering into long-term agreements.



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 the LW Bogdanka Group. An updated "Draft of Poland's energy policy until 2040" was adopted on 8 November 2019.

The assumption of the draft is that Polish economy will continue to be based on hard coal. The annual consumption of hard coal in the commercial power sector will not increase, but due to higher demand for electricity the share of coal in the structure will change. The total share of coal in electricity production will stand at a level of approx. 56%-60%

in 2030. These assumptions give a positive sales perspective, which thus means retaining the production level by the LW Bogdanka Group.



Risk associated with the levels of prices of 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 Q1 2020 the price decline trend deepened on the international market where prices reached in new historic lows. This primarily resulted from supply and demand situation of the largest customers of imported coal in Europe, which was a consequence of, among other things, high temperatures recorded in the winter season, and significant shrinking of countries' economies as a result of the COVID-19 pandemics.

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.



Risk associated with the specific nature of mining sector operations and the possibility of unforeseen events

The operating activities of LW Bogdanka S.A. are exposed to risks and dangers resulting from the specific nature of conducting activities in the mining industry.

These include:

- events associated with the environment (e.g. industrial and technological malfunctions)
- extraordinary events, e.g. geotechnical phenomena, mining disasters, fires or flooding of excavations with mine waters
- mining damage.

The consequences may include:

- temporary suspension of operating activities, losses relating to property or financial assets
- work accidents, including fatal accidents
- potential of the Company being held legally liable

Countermeasures:

- strict compliance with occupation health and safety rules
- ongoing monitoring of risk on particular work positions
- taking precautions.

The following factors are also of importance:

- use of advanced and reliable mining machines and equipment, which reduces the risk of industrial malfunctions
- no geological disruptions and the fact that the mining seams are relatively regularly laid out
- relatively low costs of repairing mining damage resulting from the low urbanisation of the area in which the mine extracts hard coal
- high qualifications of the personnel.



Risk of restrictive climate policy resulting in changes in the applicable laws

EU's restrictive climate policy leads to lowering the emissions of greenhouse gases, higher sourcing of energy from renewable resources and higher energetic efficiency.

In the Polish energy sector, a great majority of electricity is generated on the basis of coal (hard coal and lignite). The production of electrical or heat energy from coal is connected with significant CO² emissions. 2019 saw a significant increase in CO² prices, which translates directly into an increase in costs of coal burning.

These limitations or introduction of stringent standards or emission limits of CO², SO_x, NO_x and other chemical compounds as well as a continuous growth of prices of CO² emission rights may cause significant difficulties with competitiveness and making decisions on investments in thermal-based production or heat capacities. As a result of the pursued anti-smog policy, new legal regulations have been introduced with respect to quality standards applicable to coal sold on the Polish market. The above restrictions or plans of further amendments in law may cause further decrease in the demand for coal in general, or for coal of lower quality. It may have a negative impact on the sales of coal by LW Bogdanka S.A., and in consequence may have a negative impact on the Group's financial results.

Countermeasures:

active involvement in consultations conducted by the Polish mining sector in order to minimise the above risk for domestic coal producers; monitoring any amendments to the Energy Law or other acts, and assessing their potential impact on the Group's operations.

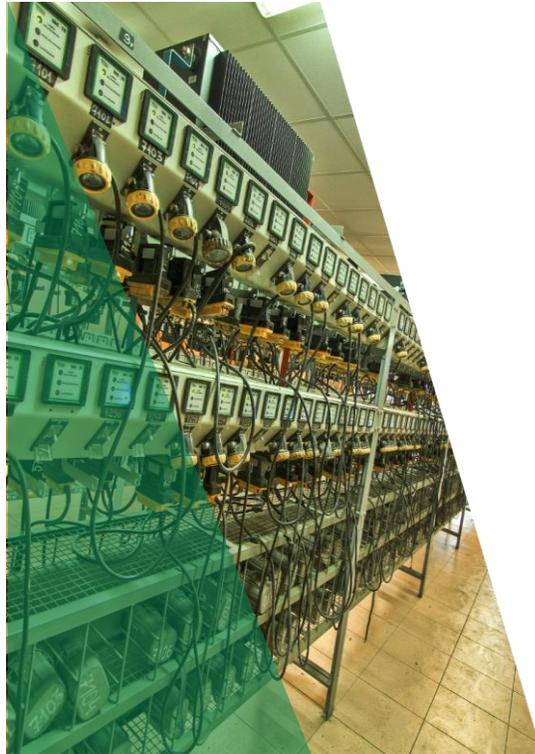




Risk associated with the social and economic situation in Poland and in the world

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. Due to the fact 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 Q1 2020 was relatively small. In Q2 2020, however, the impact of the coronavirus epidemic was significantly bigger. At the present moment it is impossible to quantify the exact impact of these events, as the level of sales and Group's operating results are influenced by many more factors apart from COVID-19 nevertheless problems caused by the virus epidemic [decrease in the economic activity in Poland and the related lower demand for electric energy which is followed by a lower production of electric energy and demand for power coal, reduced supplies, materials availability] and the protection measures taken for counteracting virus infection, on one hand result in reducing production and reducing the economy of scale, and on the other – in higher operating costs, which eventually will negatively affect the consolidated financial result. The impact is particularly evident in the decrease of sales revenue in Q2 2020 during which consolidated sales revenue dropped by 31% compared to the analogous period of 2019 (a similar decrease may be observed



in comparison to revenue budgeted for Q2 2020).

In order to mitigate the negative influence of coronavirus on its financial results, the Group took a number of adjusting and optimizing actions. At the same time it is possible that if legally required conditions are met, the Parent or any of its subsidiaries may apply to relevant institutions to receive support or financing.

In the long term, it is assumed that when the epidemic ends the domestic economy will return to regular development, the demand for electric energy will increase which will translate into higher demand for thermal coal mined by the Parent.



Risk of temporary limitation of supplies to customers

Warm and windy winter brought a lower production of electric power by commercial power plants which receive more than 90% of coal produced by LWB, therefore there is a risk of a periodic reduction of collection volumes by key customers. Long-term agreements, which regulate majority of LWB sales provide for the possibility to increase or decrease collection volumes in the framework set out in the agreement. The purpose is to introduce more flexibility to sales schedules, and further - production schedules in order to keep optimum conditions and costs of the mine work. The Company mitigates the above risk by introducing flexible work mode, which enables it quick and flexible commissioning work on weekends to companies providing mining services to the mine. Outsourced services provided in respect to work on weekend constitute variable cost incurred accordingly to customer demand for additional coal volumes.





Risk directly associated with the Group's operations

Risk associated with the launch of extraction of new deposits at LW Bogdanka S.A.

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 involves incurring additional capital expenditure. In case the whole Ostrów deposit is made available 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 risk

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

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

Countermeasures:

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



Risk associated with high costs of technologies applied by the Company

The technology of thermal coal extraction involves the use of highly specialised machines and equipment. Due to global concentration of producers of such machines and equipment, there is a risk of unexpected increase in prices of specialised machines and equipment. This could have impact on the increase of investment

expenditures.

There is also a risk of difficulties in accessing unique spare parts to ensure the operating continuity of the machines and equipment.

In 2015, the exploitation of mining of seam 391 began; the seam is located about 100 m below seam 382. Along with the depth increases the difficulty of maintaining the excavations (rock mass pressures increase), the natural temperature of rock, as well as certain other natural dangers, e.g. related to water or methane explosion. This may altogether increase coal mining costs.

Countermeasures: controlling costs and capital expenditure, use of highly-specialised machines and equipment, high work culture as far as compliance with mining and geological law and attention to equipment are concerned, carrying out R&D works, implementing innovative technologies for improvement of underground climate conditions.



Risk of IT systems malfunctioning

A partial or complete loss of data due to a malfunction of computer systems may adversely affect the Company's ongoing operations and therefore affect its future financial results.

Countermeasures:

- periodic audits with respect to ICT security
- reviews of authorisations to IT systems
- raising security levels through constant monitoring of network traffic, potential threats and implementing sealing solutions to increase safety of access to IT systems
- making safe back-up copies of systems and data to guarantee quick system recovery in case of a breakdown
- updating IT strategy at the levels of the LW Bogdanka Group and the Enea Group.



Risk of difficulties in supplies performed through rail transport

Since mid-2017 a comprehensive modernisation of railway line No. 7 (sections Lublin – Putawy and Dęblin – Pilawa) has been underway; therefore the recipients of the Parent's coal will be forced to use alternative railway routes. While line No. 7 is closed, the rail transport is directed mainly via line No. 30 and lines Nos. 66 and 69. The change of the routes and the necessity to use diesel rail vehicles for the transport will result in lengthening the delivery times thus adversely affecting the logistics processes. 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.





Risk directly associated with the Group's operations

Customer insolvency risk

Customer insolvency risk is associated with general level of current receivables of the LW Bogdanka Group payable by its customers and the surplus of Group's receivables in comparison to liabilities. Trade and other current receivables of the Group accounted for 5.0% of the carrying amount and 26.0% of its revenue for the last 6 months of 2020. The share of trade receivables in trade and other current receivables accounted for 78.8%. Countermeasures:

- monitoring customers' arrears associated with making payments for the products sold
- analysing the credit risk for the main customers individually, or by the respective classes of assets
- transactions solely with customers with confirmed creditworthiness.



Risk associated with the strong position of the trade unions

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 end of H1 2020, six trade union organisations operated at the Group (of which four trade union organisations at LWB associating approx. 64.73% 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.



Risk associated with retaining and attracting human resources for the Company

The labour market is currently an employee's market, therefore employees can easily change work to a more attractive one. Any failure to offer competitive employment and retain salaries at the level required by market standards may in consequence lead to losing high-profile employees.

Countermeasures: building generational continuity, succession plans, cooperation with local vocational schools, implementing development programmes, providing employees with options to promote and develop within the Company's structure, building friendly atmosphere and creating job satisfaction. Development measures addressed to the management of a mining plant: the Foreman Academy and the Mining Leaders Academy. Interdisciplinary meetings building commitment, run through the design thinking method, the purpose of which is to work out enhancements and new solutions.



Key supplier risk

The specific nature of the Group's operations requires applying technologies which often involve the use of highly specialised machinery and equipment as well as specialised services.

Therefore, there is a risk of problems occurring in identifying proper suppliers, as well as a risk of suppliers failing to meet their obligations under concluded agreements. This also applies to specialised providers of mining services, because due to their limited number on the Polish market, the Group may become dependent upon these entities.

Countermeasures: assessing the risk of threats connected with contract performance at the stage of signing agreements with suppliers, and looking for options of establishing cooperation with other suppliers. What is more, in order to secure the performance of higher risk contracts, it is required that a performance bond is made.



Risk of price fixing by the suppliers

The requirement to use highly specialised products and services, as well as legal aspects to be met in order for such products and services to be deemed proper, carry a risk of price fixing. Therefore, there is a potential risk of fixing commercial terms that can be offered to LW Bogdanka S.A. by a group of suppliers.

- Countermeasures:
- permanent market monitoring and acquiring new suppliers
 - periodic analysis of contract prices and researching new market trends
 - searching for replacement products.





Financial risks and risks associated with environmental protection

Insurance risk

The Group is exposed to insurance risk both within standard scope applicable to all entities conducting business activity, and within the scope typical for the mining sector, resulting in particular from the risks accumulated in the mine's underground part. Given the materiality of risks to which the Group is exposed, these risks are - where particularly justified - transferred outside the Company, on the basis of insurance agreements signed. The Group is protected with respect to underground property, surface property, and third party liability for damage caused in connection with business activity as well as with respect to other, less material risks. At the end of last year insurance agreements covering the most material risks ended, therefore in December 2019 insurance coverage was renewed for the next period of three years. As a result of the renewal, the quality of insurance coverage with respect to risks on the surface was significantly improved by extending the scope of insurance protection to cover also the risk of loss of profit (Business Interruption). Furthermore, the Group consistently undertakes measures with a view to mitigating the exposure to risk related with the protection of personal data.



Risk associated with reclamation and mining damage

The LW Bogdanka Group is obliged to carry out reclamation of the post-mining land and remove mining damage. The existing standards of reclamation and mining damage removal may change in the future – the requirements in this respect are expected to be stricter.

Countermeasures: repair works, protecting buildings against the results of mining damage, reimbursing the costs incurred by investors in connection with adjusting new buildings under construction on the mining land to the current conditions, gradually performing drainage hydrotechnical works as well as land reclamation within the impacted areas.



Risk associated with tightening of standards and regulations of law with respect to environmental protection and the obligation to obtain permits for the economic use of the environment

The operations of LW Bogdanka S.A. have a significant impact on the environment. Therefore, the Company must hold specific permits and observe standards of using the environment detailed in applicable laws (including BAT requirements - Best Available Techniques). In particular with respect to the following:

- emissions of substances and noise to the air
- water and waste management
- management of the generated solid waste
- the use of natural resources.

Countermeasures: The Company monitors legal regulations on an ongoing basis, and adjusts its operations accordingly within the prescribed time limits.



Risk associated with management of waste generated after extension of the mining area

The Company creates significant amounts of mining waste. Post-mining waste is managed (recovered) and stored at the mining waste neutralization facility in Bogdanka. It is estimated that the storage capacity of the waste yard, with approx. 50% of mining waste stored, is sufficient only for up to 4 years of storing. On the basis of a building permit, the Company has

commenced works connected with increasing the height of the existing yard (to 250 MASL) and expanding the yard to the south-east. It has also taken measures aimed at acquiring adjacent areas in order to further extend the facility. Failure to implement this investment will mean the risk of disrupting the stability of the extraction process and the necessity to search for alternative ways to manage the extraction waste. Countermeasures: The Group performs works connected with increasing the height of the existing mining waste utilisation facility and expanding the area to the south-east. Further, it continues works on acquiring new land to execute the next phases of extension of the yard and has commenced design works relating to development of the yard. The Parent is taking intense actions related to the recovery and utilisation of mining waste.



Investment risks associated with protected areas

The mine is located in the vicinity of protected areas (a national park, landscape parks, protected landscape areas, ecological channel and two areas subject to Nature 2000 network regulations located partially on the area of the mining land and three others in close vicinity of the mining land). All planned investment activities must be analysed from the perspective of their potential negative impact on protected areas. There is a risk that in the case of investment activities, certain obligations may be imposed or the requirements concerning the limitation of the negative environmental impact may be stricter. These investment restrictions may require higher investment expenditure and therefore may affect the financial result. Countermeasures: ongoing monitoring, adjusting business activities to requirements and obligations.





Risk factors associated with proceedings and legal environment

Risk of change to tax laws

The lack of stability and transparency of the Polish tax system, resulting from constant changes to the laws in force and incoherent interpretation of the tax law, may cause uncertainty with regard to the end result of the financial decisions taken. Frequent amendments to tax regulations and rigorous and stringent provisions do not offer an incentive for decision-making. Legislative changes or sometimes changes only to interpretations may generate all kinds of risks. Amounts disclosed in the financial statements can therefore be changed after their amount has been finally determined by the tax authorities.

Countermeasures:

- monitoring any amendments to tax laws
- training courses for employees so as to ensure that employees are as competent as possible in this area
- detailed analysis of all emerging tax issues, including by comparing them with the latest tax rulings and relevant case law
- using the services of consulting companies,
- following the Transfer Pricing Policy, which lays down the fundamental conditions and principles for pricing the transactions concluded within the Group.



Risk of real property tax on mining excavations of LW Bogdanka S.A.

In accordance with the Parent's strategy, the value of underground excavations and the infrastructure located in these excavations have not been included in real property tax returns for tax assessment purposes. Nevertheless, in Q3 2019, in order to secure

against any possible negative consequences for the Group in the form of interest on past due real property tax, the Group decided to include in its calculations, for the purpose of that tax, also the value of underground mining excavations and lining. In 2020 fiscal proceedings were pending against the Parent in order to determine the amount of real property tax due for the period between 2008, 2010-2012 and 2015, instigated by the Heads of Puchaczów, Cyców and Ludwin Communes.

Countermeasures:

- monitoring any amendments to tax laws
- training courses for employees so as to ensure that employees are as competent as possible in this area
- detailed analysis of all emerging tax issues, including by comparing them with the latest tax rulings and relevant case law
- using the services of consulting companies,

For more information refer to the condensed interim consolidated financial statements of the LW Bogdanka Group for the first half of 2020, Note 17.



Risk of a change in the law and its interpretation and application

The provisions of law in Poland are frequently changed. Changes also affect the interpretation of law and the way it is applied. Changes in interpretation of tax regulations are particularly frequent. There is no consistency in the practice of tax authorities or in case law relating to taxation. If tax authorities adopt an interpretation of tax law which differs from that adopted by the Group or if the Mining Law introduces new requirements, it could lead to deterioration of its financial situation and as a result negatively affect the Group's bottom line and development prospects.

Countermeasures: using the services of legal advisors

and consulting companies, and seeking opinions of various bodies specialising in a given subject matter. Where applicable, the Group also files for binding interpretations of law. Despite these measures, it is not possible to entirely eliminate the risk. However, the Management Board believe such risk to be substantially limited.



Risk of violating the stock exchange disclosure requirements

Since LW Bogdanka S.A. is listed on the Warsaw Stock Exchange, the Company is subject to provisions which impose a number of requirements. For failure to perform or undue performance of the requirements set forth above a very high fine may be imposed.

Countermeasures: strict compliance with the obligations preceded by the introduction of internal procedures for the circulation of stock-exchange information at LW Bogdanka S.A., and permanent monitoring of the Company's operations with respect to disclosure requirements.





Workforce

Workforce changes

Employment at the Group

The first half of 2020 brought a 1.4% increase in employment in the Group (comparing to H1 2019). The highest increase in FTJs was recorded in RG Bogdanka sp. z o.o.

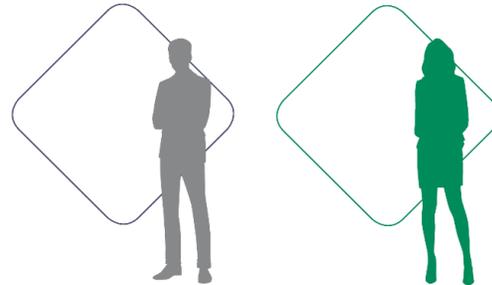
Workforce of the Parent

At the end of H1 2020 the personnel employed at the Parent accounted for 86.6% of total employment in the Group.

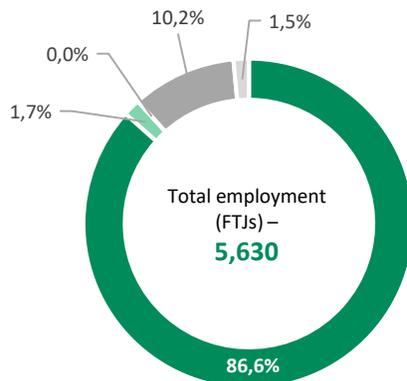
Blue-collar workers accounted for 84.1% of all employees. In comparison with H1 2019 the number of underground staff went up by 11.0 workers, i.e. 0.3%.

Underground personnel constituted the main group employed in LW Bogdanka S.A., i.e. 73.1%.

In H1 2020, 40 employees were hired to LW Bogdanka S.A., while 78 employees left the Company.

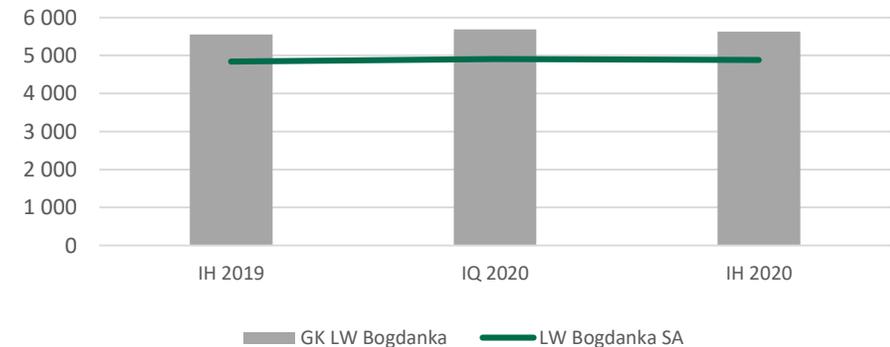


Employment (FTJs)	30 Jun. 2019	31 Mar. 2020	30 Jun. 2020	Workforce structure at the Group	Change H1 2020 / H1 2019	Change H1 2020 / Q1 2020
Total						
Total workers	4,087.0	4,134.0	4,105.0	-	0.4%	-0.7%
Underground workers	3,145.0	3,173.0	3,148.0	-	0.1%	-0.8%
Surface workers	942.0	961.0	957.0	-	1.6%	-0.4%
Full-time employees underground	408.0	421.0	416.0	-	2.0%	-1.2%
Full-time employees on the surface	340.9	351.5	357.5	-	4.9%	1.7%
Total underground	3,553.0	3,594.0	3,564.0	-	0.3%	-0.8%
LW Bogdanka S.A.	4,835.9	4,906.5	4,878.5	86.6%	0.9%	-0.6%
RG Bogdanka sp. z o.o.	526.6	596.6	572.0	10.2%	8.6%	-4.1%
MR Bogdanka sp. z o.o.	88.5	83.5	82.5	1.5%	-6.8%	-1.2%
EkoTrans Bogdanka sp. z o.o.	1.0	1.0	2.0	0.0%	100.0%	100.0%
Łęczyńska Energetyka sp. z o.o.	99.5	96.0	95.2	1.7%	-4.3%	-0.8%
LW Bogdanka Group	5,551.5	5,683.6	5,630.2	100.0%	1.4%	-0.9%



Workforce structure at the LWB Group broken down into companies

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





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. dental prevention support programme or the event "Medical ultrasound instead of flowers!" – is a preventive 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.



In partnership with the Landscapes Foundation and the Łęczna Municipality a project "Aesthetics Programme Laboratory for the Town of Łęczna" was launched; it took a form of cooperation of dwellers and the town authorities aiming at development of the town's green infrastructure. Three work groups were created:

- Urban Greenery
- Culture of Space
- Functional Greenery

composed of dwellers, local NGO representatives, and town authorities. Their work is supported by experts in respective fields. The cooperation is supposed to bring a tangible effect in the form of "The More Beautiful Łęczna".

A project "Soil - agricultural space. Sustainable agriculture in the areas in vicinity of LWB" was launched in partnership with IUNG-PIB. A long-term goal of the pursued project is to implement sustainable agricultural activity in the areas located in vicinity of the Bogdanka mine by way of a detailed examination of the condition of soil and educational activity, which is to result in maintaining production potential and functions of soil as well as a reduction of adverse impact of agriculture on the surrounding natural environment.

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.



Maximum amount for individual applications is PLN 3,000 net, and for teams - PLN 6,000 net. In May 2020 six laureates were selected in the first edition of the Programme, including a beekeeper, juggler, parachutist, badminton player, mountain jogger and a group of marathon runners.

Socially Engaged Bogdanka

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 year 10 initiatives were completed including support provided to children in the Little Prince Hospice in Lublin.



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.



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 75% 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.



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, the construction of a playground for children staying in the Rehabilitation and Education Centre in Janów Lubelski or a purchase of fire truck for the Volunteer Fire Brigade in Rogóżno.

The Company also takes care for the youngest beneficiaries, and created a book for children presenting the most important safety rules applicable at the mine presented in pictures and text.



Ethics as component of the organisational culture

In November 2018 Code of Ethics was introduced in the LW Bogdanka Group, and it applies to all subsidiaries. Educational and awareness campaign is conducted on an ongoing basis with a view to exposing and promoting ethical values.





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

The Company continues the cooperation within the industry as part of the Górnictwo O.K. initiative which is a project 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 OK 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.

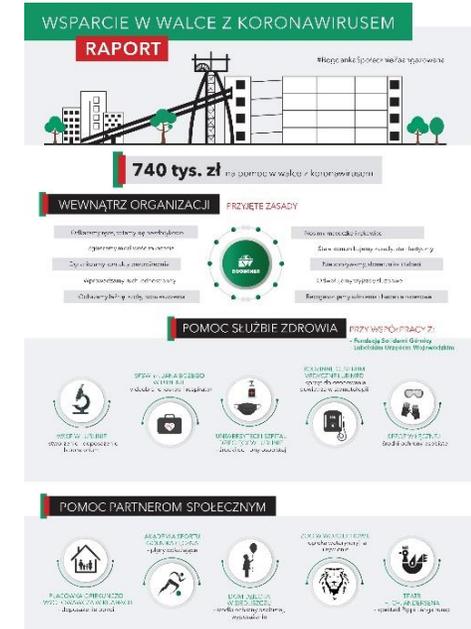
Another success was a recognition in the 14th Responsible Companies Ranking! Our activities, and primarily the results achieved in the field of social responsibility and sustainable growth have been appreciated in this prestigious ranking: we have been awarded with the third place in the "Fuels, Energy, Mining" category, thus confirming our leading position in the mining industry.

Fight with coronavirus

In April this year 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 provided support of PLN 20,000 to children from the Siedliszcze Orphanage and provided 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]	Q2 2019	Q2 2020	Change	Change %	H1 2019	H1 2020	Change	Change %
Gross coal extraction	3,497	2,386	-1,111	-31.8%	7,408	5,532	-1,876	-25.3%
Production of commercial coal	2,293	1,631	-662	-28.9%	4,825	3,697	-1,128	-23.4%
Yield (%)	65.6%	68.4%	2.8 p.p.	-	65.1%	66.8%	1.7 p.p.	-
Sale of commercial coal	2,405	1,604	-801	33.3%	4,770	3,522	-1,248	-26.2%
New excavations (km)	6.4	6.5	0.1	1.6%	14.2	13.1	-1.1	-7.7%

Inventories of commercial coal of the Company

['000 tonnes]	30 Jun. 2019	31 Dec. 2019	30 Jun. 2020	Change [%] 30 Jun. 2020/ 31 Dec. 2019	Change [%] 30 Jun. 2020/ 30 Jun. 2019
Inventories of coal	144	179	354	97.8%	145.8%

Structure of commercial coal production

[%]	Q2 2019	Q2 2020	H1 2019	H1 2020
Fine coal	99.4%	99.2%	99.4%	99.5%
Pea coal	0.6%	0.8%	0.6%	0.5%
Total	100.0%	100.0%	100.0%	100.0%

The lower operating results of the Company for the first half of 2020 were mainly influenced by decreased demand for power coal by commercial power plants and the heating sector. In Q1 2020 it stemmed from warm and windy winter, and in Q2 from the decreased demand for power in Poland due to the restrictions implemented in connection with the coronavirus pandemic, which resulted in an economic slowdown.

Production of coal

- (-) gross extraction of coal in H1 2020 decreased by 25.3%, i.e. 1,876,000 tonnes.
- (-) production of commercial coal in H1 2020 was 3,697,000 tonnes, i.e. more by 1,128,000 tonnes than in the same period of 2019
- (+) yield for H1 2020 was 66.8% compared to 65.1% for H1 2019
- (+) good mix of the walls (more cutting machine walls) contributed to higher yield

Sale of coal

- (-) in Q2 2020, the sales of coal dropped by 33.3% compared to Q2 2019
- (-) in H1 2020, the sales of commercial coal amounted to 3,522,000 tonnes, i.e. they were smaller by 26.2% than in the same period of 2019.
- (+) higher price of coal sold

Inventories

- (+) at the end of Q2 2020, the level of coal inventories amounted to 354,000 tonnes, which means an increase by 175,000 tonnes compared to the level as at 31 December 2019
- (+) the level of coal inventories presented at the end of Q2 2020 corresponds to 12 days of commercial coal production (on the basis of average daily production for six months).
- (+) the achieved level of inventories of coal is a result of the coal production and realised coal sales

Structure of commercial coal production

- (-) slightly lower share of the production of fine coal sold to industrial customers in Q2 2020
- (+) in Q2 2020 increase in the share of pea coal in the production structure - higher sales to domestic and foreign customers (it reached the Ukraine through a coal agent)



Revenue and key customers of the LW Bogdanka Group

Dynamics of changes in product range with respect to revenue

[PLN '000]	Q2 2019	Q2 2020	Change	Change %	H1 2019	H1 2020	Change	Change %
Sale of coal	545,692	375,675	-170,017	-31.2%	1,071,969	826,235	-245,734	-22.9%
Other activities	7,488	6,577	-911	-12.2%	16,265	16,736	471	2.9%
Sale of goods and materials	4,369	2,678	-1,691	-38.7%	10,102	6,040	-4,062	-40.2%
Total	557,549	384,930	-172,619	-31.0%	1,098,336	849,011	-249,325	-22.7%

Structure of revenue

[%]	Q2 2019	Q2 2020	H1 2019	H1 2020
Sale of coal	97.9%	97.6%	97.6%	97.3%
Other activities	1.3%	1.7%	1.5%	2.0%
Sale of goods and materials	0.8%	0.7%	0.9%	0.7%
Total	100.0%	100.0%	100.0%	100.0%

Geographical structure of revenue

[PLN '000]	Q2 2019	Structure	Q2 2020	Structure	H1 2019	Structure	H1 2020	Structure
Domestic sales	557,549	100.0%	384,930	100.0%	1,098,299	100.0%	849,011	100.0%
Foreign sales	-	-	-	0%	37	0.0%	0	0%
Total	557,549	100.0%	384,930	100.0%	1,098,336	100.0%	849,011	100.0%

Geographical structure of revenue

The activities of the Group are primarily concentrated in Poland. In H1 2020 sales of coal abroad (Ukraine) was performed through a coal agent. In H1 2019 the share of exports in the total revenue was 0.003% (PLN 36,700).

Revenue on sales of coal

(-) in Q2 2020, the Group generated revenue in the amount of PLN 375,675,000, which represents a drop by 31.2% compared to Q2 2019

(-) in H1 2020 the revenue on sales of coal amounted to PLN 826,235,000 compared to PLN 1,071,969,000 in H1 2019, which means an increase in revenue by 22.9% y/y

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

Revenue on other operations

In Q2 2020 revenue on other operations (which includes revenue of subsidiaries) were PLN 6,577,000 (1.7% of total revenue), compared to PLN 7,488,000 (1.3% of revenue) in the analogous period of 2019 (down by 12.2% 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.

In H1 2020 revenue on other operations was PLN 16,736,000 compared to PLN 16,265,000 for the previous year. The increase in revenue in this group is related to higher revenue of subsidiaries from services provided outside the LWB Group.

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

Key customers

More than 95% of coal sales (in terms of value) in H1 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., PGE Paliwa and Grupa Azoty Zakłady Azotowe Puławy S.A.

In 2020 the share of the above customers was similar.

Key customers by share in revenue:

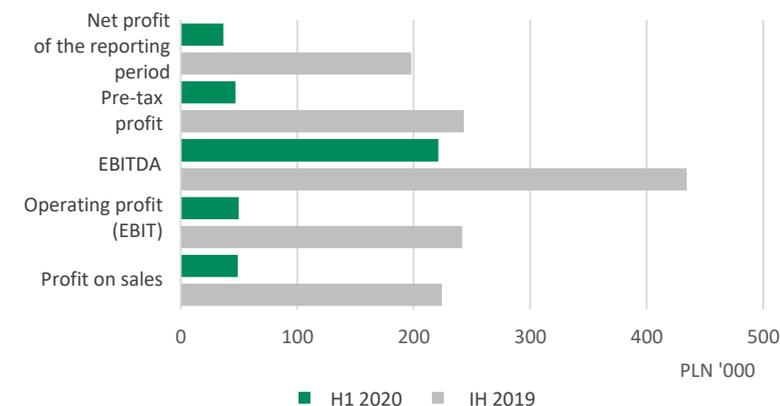
- Enea Wytwarzanie sp. z o.o. – Enea Group – approx. 66% of share in the revenue
- Enea Elektrownia Połaniec S.A. – Enea Group – approx. 16% share in the revenue



Financial highlights of the LW Bogdanka Group

Analysis of the consolidated income statement

[PLN '000]	Q2 2019	Q2 2020	Change	H1 2019	H1 2020	Change
Revenue	557,549	384,930	-31.0%	1,098,336	849,011	-22.7%
Costs of products, goods and materials sold, selling costs and administrative expenses	444,263	379,925	-14.5%	874,207	800,007	-8.5%
Profit on sales	113,286	5,005	-95.6%	224,129	49,004	-78.1%
Gross sales margin	20.3%	1.3%	-19.0 p.p.	20.4%	5.8%	-14.6 p.p.
Other income	1,215	542	-55.4%	2,530	2,109	-16.6%
Other costs	150	965	543.3%	476	1,116	134.5%
Net operating profit	114,351	4,582	-96.0%	226,183	49,997	-77.9%
Other profits/(losses) - net	-510	424	-	15,624	-97	-
Operating profit (EBIT)	113,841	5,006	-95.6%	241,807	49,900	-79.4%
EBIT margin	20.4%	1.3%	-19.1 p.p.	22.0%	5.9%	-16.1 p.p.
EBITDA	211,559	86,301	-59.2%	434,419	221,108	-49.1%
EBITDA margin	37.9%	22.4%	-15.5 p.p.	39.6%	26.0%	-13.6 p.p.
Finance income	1,166	882	-24.4%	8,299	2,460	-70.4%
Finance costs	3,734	2,441	-34.6%	7,029	5,350	-23.9%
Profit before taxation	111,273	3,447	-96.9%	243,077	47,010	-80.7%
Pre-tax profit margin	20.0%	0.9%	-19.1 p.p.	22.1%	5.5%	-16.6
Income tax	23,319	446	-98.1%	45,154	10,341	-77.1%
Net profit for the financial year	87,954	3,001	-96.6%	197,923	36,669	-81.5%
Net sales margin	15.8%	0.8%	-15.0 p.p.	18.0%	4.3%	-13.7 p.p.





Financial highlights LW Bogdanka Group

Revenue

The value of revenue for Q2 2020 went down by 31.0% compared to the same period of the previous year and amounted to PLN 384,930,000. In H1 2020 the LW Bogdanka Group generated revenue at a level of PLN 849,011,000 compared to PLN 1,098,336,000 in the same period of 2019 (down by 22.7%).

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

In Q2 2020 costs of products, goods and materials sold plus selling costs and administrative expenses amounted to PLN 379,925,000, i.e. they went down by 64,338,000 compared to the same period of the previous year (PLN 444,263,000). In H1 2020 cost of products, goods and materials sold as well as selling costs and administrative expenses decreased from PLN 874,207,000 to PLN 800,007,000.

Profit on sales

In Q2 2020 profit on sales amounted to PLN 5,005,000, while in the same period of 2019 profit on sales amounted to PLN 113,286,000. In H1 2020 the Group generated profit on sales in the amount of PLN 49,004,000, versus PLN 224,129,000 in H1 2019.

Other income

Other costs for H1 2020 amounted to PLN 2,109,000 compared to PLN 2,530,000 in a year before. Dominant positions in both periods were the returned excise tax and damages received.

Other costs

Other costs in H1 2020 amounted to PLN 1,116,000 while in the same period of 2019 the figure was PLN

476,000 – a dominant item in both periods were damages paid and donations granted.

Other profits/(losses) - net

Other net profits in Q2 2020 amounted to PLN 424,000 compared to the loss of PLN 510,000 in Q2 2019. Other net loss in H1 2020 amounted to PLN -97,000 compared to the profit of PLN 15,624,000 in H1 2019 (in 2019 the provision for disputable claim of the Social Security Institution (ZUS) was released).

EBIT

Operating result in Q2 2020 amounted to PLN 5,006,000. EBIT margin in Q2 2020 was 1.3%, i.e. it was lower by 19.1 p.p. than in the second quarter of the previous year. EBIT margin in H1 2020 was lower by 16.1 p.p. compared to the same period of 2019, and accounted for 5.9%.

EBITDA

EBITDA in Q2 2020 decreased by 59.2% compared to Q2 2019 and amounted to PLN 86,301,000. EBITDA margin in Q2 2020 was 22.4% and was lower than in the same period of 2019. In H1 2020 the Group achieved an EBITDA margin of 26.0%, i.e. 13.6 p.p. less year on year compared to 2019 (EBITDA amount dropped by 49.1% in the analysed period). In H1 2020, EBITDA amounted to PLN 221,108,000, compared to PLN 434,419,000 in H1 2019.

Finance income

Finance income in Q2 2020 amounted to PLN 882,000 (-24.4% y/y). In H1 2020 finance income was PLN 2,460,000 (-70.4% y/y). The difference in the finance income levels y/y results from the recognition, in H1 2019, of a release of provision for a ZUS claim in the part concerning interest (PLN 6,260,000).

Finance costs

In the second quarter of 2020 finance costs amounted to PLN 2,441,000 and were lower by 34.6% than the costs in the same period of 2019. Finance cost for H1 2020 amounted to PLN 5,350,000 compared to PLN 7,029,000 in H1 2019 (decrease by PLN 422,000 of interest costs from the valuation of employee benefits and a lower, by PLN 1,131,000, value of interest on the provision on real property tax). As at 30 June 2020 total debt of the Group amounted to PLN 12,540,000, compared PLN 14,076,000 as at 31 December 2019.

Profit before taxation

In Q2 2020 the Group recorded pre-tax profit of PLN 3,447,000 compared to the profit of PLN 111,273,000 in Q2 2019. Profit before taxation for H1 2020 amounted to PLN 47,010,000 against PLN 243,077,000 in the same period of 2019.

Net profit for the reporting period

In Q2 2020 the Group achieved net profit of PLN 3,001,000 compared to PLN 87,954,000 in Q2 2019. The net profit of the Group for H1 2020 was PLN 36,669,000 compared to PLN 197,923,000 in the analogous period of the previous financial year.





Balance sheet of the LW Bogdanka Group

Balance sheet [PLN '000]	31 Dec. 2019	30 Jun. 2020	Change
Total assets	4,252,464	4,375,110	2.9%
Return on Assets (ROA)*	7.5%	3.4%	-4.1 p.p.
Non-current assets	3,509,780	3,739,678	6.6%
Current assets	742,684	635,432	-14.4%
Equity	3,228,502	3,263,020	1.1%
Return on Equity (ROE)*	10.0%	4.5%	-5.5 p.p.
Provisions and liabilities	1,023,962	1,112,090	8.6%

* the calculations include net result for the last four quarters and an average level of assets and equity (as at 30 June 2020 + as at 31 December 2019)/2 and (as at 31 December 2019 + as at 31 December 2018)/2



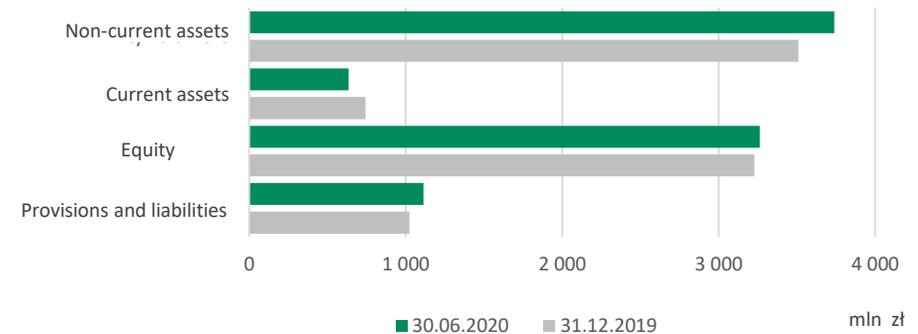
Assets

The balance-sheet total as at 30 June 2020 compared to the value as at 31 December 2019 went up by PLN 122,646,000 and amounted to PLN 4,375,110,000, with non-current assets going up by PLN 229,898,000 and current assets going down by PLN 107,252,000. 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 7.2%. As far as current assets are concerned the most important change is a drop in value of cash and equivalents by 30.9%. As at 30 June 2020 the ROA figure was 3.4%, while as at the end of 2019 it was 7.5%.

Equity and liabilities

The equity went up by 1.1%. It was solely an effect of the comprehensive income generated for H1 2020. Provisions and liabilities went up by 8.6% compared to the value as at 31 December 2019, with current liabilities going up by 15.6% (main increase in trade and other liabilities), while non-current liabilities went up by 4.6% (including mainly liabilities on account of the employee benefits and provisions for other liabilities and charges). At 30 June 2020 an decrease in ROE was recorded (by 5.5 p.p.) compared to the end of 2019. The value of the ratio as at 30 June 2020 was 4.5% compared to 10.0% as at 31 December 2019.

Analysis of the consolidated statement of financial position



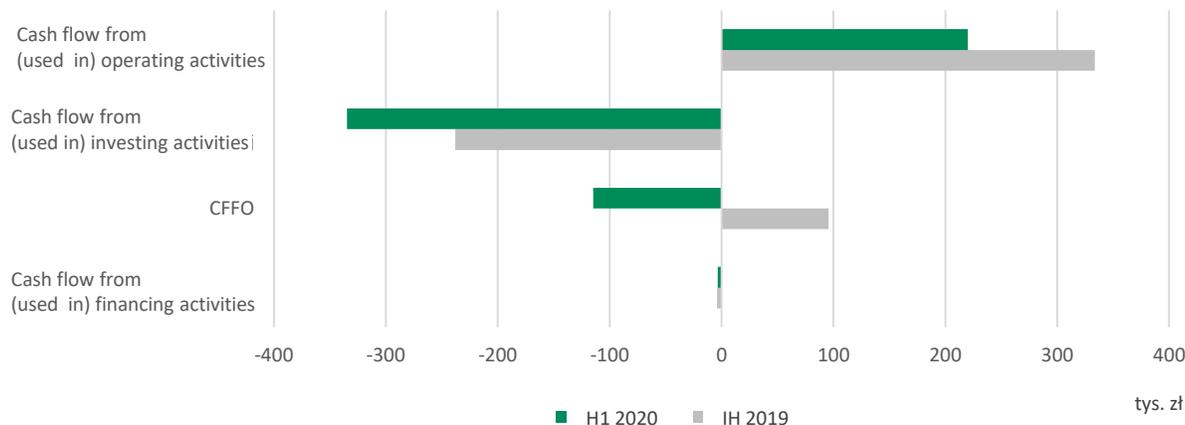


Cash flow LW Bogdanka Group

Cash flow

[PLN '000]	Q2 2019	Q2 2020	Change	H1 2019	H1 2020	Change
Cash flow from (used in) operating activities	183,276	142,782	-22.1%	333,536	220,131	-34.0%
Cash flow from (used in) investing activities	-90,229	-134,716	49.3%	-237,902	-334,906	40.8%
CFFO*	93,047	8,066	-91.3%	95,634	-114,775	-
Cash flow from (used in) financing activities	-1,731	-1,383	-20.1%	-3,959	-3,581	-9.5%

*total cash flow from operating and investing activity

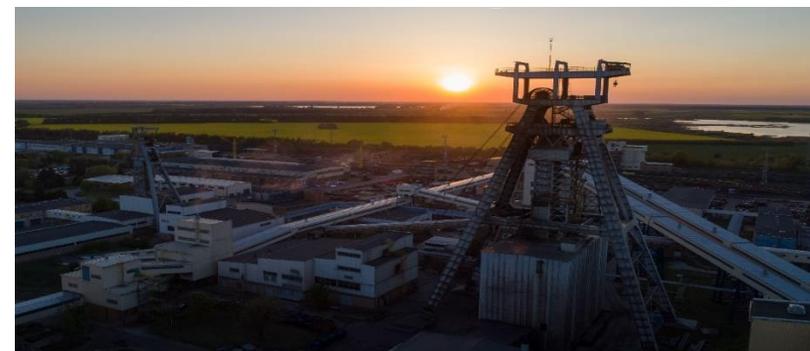


In Q2 2020 the Group generated net cash flow from operating activities lower by 22.1% than in Q2 2019 - in 2020 it amounted to PLN 142,782,000 compared to PLN 183,276,000 a year before. In H1 2020 the LW Bogdanka Group generated cash flow from operating activities of PLN 220,131,000 (-34.0% y/y).

The decrease by PLN 113,405,000 in cash flow from operating activities (PLN 220,131,000 in H1 2020 compared to PLN 333,536,000 in H1 2019) is primarily related to the decrease in the pre-tax profit/loss. The pre-tax profit/loss in H1 2020 amounted to PLN 47,010,000, and in the same period of 2019 the figure was PLN 243,077,000, which represents a year-to-year change of PLN -196,067,000.

Cash flow from investing activities increased its value (in absolute values) in Q2 2020 by 49.3% (to PLN -134,716,000) relative to the analogous period of 2019. In the whole H1 2020 cash flow from investing activities was lower by 40.8% from cash flow in the analogous period last year. The increase primarily results from a purchase of a new wall complex which was paid for in Q1 this year.

In Q2 2020, the Group recorded negative cash flow from financing activities of PLN 1,383,000 (loans of PLN 759,000 were repaid, interest of PLN 136,000 was paid, and liabilities under financial lease agreements were of PLN 488,000 were paid). In H1 2020, the Group recorded negative cash flow from financing activities of PLN 3,581,000 (loans of PLN 1,518,000 were repaid, interest of PLN 281,000 was paid, and liabilities under financial lease agreements were of PLN 1,782,000 were paid).





Debt and liquidity ratios LW Bogdanka Group

The Company presents selected APM indicators, as in its opinion they are the source of additional (with respect to data presented in the financial statements) and valuable information on financial and operating standing, and make it easier to analyse and assess the Company's results achieved during various reporting periods. The Company presents these specific alternative measurements of results as they are standard indicators commonly used in financial analyses. The selection of alternative measurements followed an analysis of their usefulness as far as providing investors with useful information on financial standing, cash flows and financial efficiency is concerned, and the Company believes they allow the achieved financial results to be well assessed.

Cash flow

[PLN '000]	31 Dec. 2019	30 Jun. 2020	Change
Overall debt ratio	24.1%	25.4%	1.3 p.p.
Ratio (debt plus employee liabilities)/EBITDA	0.27	0.40	48.1%
Net debt ratio/EBITDA*	-0.48	-0.45	-6.3%
Debt to equity ratio	31.7%	34.1%	2.4 p.p.
Fixed capital to non-current assets ratio (non-current assets/fixed capital)	105.6%	100.2%	-5.4 p.p.
Current debt ratio (current liabilities/equity and liabilities)	8.8%	9.9%	1.1 p.p.
Non-current debt ratio (non-current liabilities/equity and liabilities)	15.3%	15.5%	0.2 p.p.

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

	31 Dec. 2019	30 Jun. 2020	Change
Current liquidity ratio	2.13	1.56	-26.8%
Quick liquidity ratio	1.83	1.20	-34.4%

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

Overall debt ratio

The overall debt ratio as at 30 June 2020 went up by 1.3 p.p. compared to 31 December 2019 and reached 25.4% - main increase was recorded in the share of trade and other liabilities and provisions for other liabilities and charges.

The level of the Group's debts as at 30 June 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 Q2 2020 increased by 48.1% to 0.40. When comparing data as at 30 June 2020 to data as at 31 December 2019, a significant decrease was recorded both in debt and EBITDA (cumulatively for the last 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 dropped in absolute values from the level of -0.48 as at 31 December 2019 to -0.45 as at 30 June 2020. The value of net debt dropped by ca. PLN 117 million and amounted to PLN -252 million with EBITDA going up by ca. PLN 213 million (EBITDA cumulatively for the last four quarters).

Debt to equity ratio

Debt to equity ratio as at 30 June 2020 increased in relation to 31 December 2019 by 2.4 p.p. and was 34.1% - liabilities and provisions grew by ca. PLN 88 million along with an increase in equity by ca. PLN 35 million.

Fixed capital to non-current assets ratio

The fixed capital to non-current assets ratio was 100.2% (as at 30 June 2020) compared to 105.6% (as at 31 December 2019) - in the analysed period the value of non-current assets increased by approx. PLN 230 million and fixed capitals (equity plus non-current liabilities less provisions), by approx. PLN 42 million.



Turnover ratios at the LW Bogdanka Group

Turnover ratios

[PLN '000]			31 Dec. 2019	30 Jun. 2020	Change
1. Inventory turnover	$\frac{\text{average inventories}}{\text{costs of goods, products and materials sold}} \times$	days in the period	21	29	38.1%
2. Debtors collection rate*	$\frac{\text{Average receivables}}{\text{revenue}} \times$	days in the period	37	45	21.6%
3. Creditors payment rate**	$\frac{\text{average liabilities}}{\text{costs of goods, products and materials sold}} \times$	days in the period	71	87	22.5%
4. Operating cycle	1+2		58	74	27.6%
5. Cash conversion cycle	4-3		-13	-13	0.0%

* - Trade and other receivables

** Trade and other liabilities

Inventory turnover

The inventory turnover as at 30 June 2020 went up to 29 days, compared 31 December 2019. Disposal of inventories takes on average 8 days more.

Debtors collection rate

The debtors collection rate (calculated on the basis of the balance-sheet item "Trade and other receivables") was 45 days (as at 30 June 2020), compared to 37 days (as at 31 December 2019). In the period under analysis, average receivables dropped by approx. PLN 9 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 16 days to 87 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 26 million).

Operating cycle

The operating cycle for current assets (a sum of inventory turnover and debtors collection rate) in the analysed period lengthened by 16 days to 74 days. On average after 74 days, the Group's current assets are converted into cash.

Cash conversion cycle

The consequence of the above trends, the cash conversion cycle as at 30 June 2020 was -13 days. The negative value of the cash conversion cycle means that the Group uses trade credit (financing with the non-interest-bearing borrowed capital).



Provisions of the LW Bogdanka Group

Balance-sheet provisions [PLN '000]	As at 30 Jun. 2019	As at 31 Dec. 2019	As at 30 Jun. 2020	Change 30 Jun. 2020 / 30 Jun. 2019	Change 30 Jun. 2020 / 31 Dec. 2019
Employee provisions	173,822	191,965	210,977	21.4%	9.9%
Provision for real property tax	46,047	10,306	10,608	-77.0%	2.9%
Provision for the mine closure costs and land reclamation	138,412	171,635	194,383	40.4%	13.3%
Mining damage	2,956	2,149	2,026	-31.5%	-5.7%
Other	12,154	12,237	13,335	9.7%	9.0%
Total	373,391	388,292	431,329	15.5%	11.1%

The total provisions as at 30 June 2020 amounted to PLN 431,329,000, which means an increase by 11.1% compared to the value as at 31 December 2019.

Changes in provisions [PLN '000]	Change in Q2 2019	Change in Q2 2020	Change in Q2 2020 / Q2 2019	Change in H1 2019	Change in H1 2020	Change H1 2020 / H1 2019
Employee provisions	-667	11,631	-	8,666	19,012	119.4%
Provision for real property tax	2,324	151	-93.5%	4,616	302	-93.5%
Provision for the mine closure costs and land reclamation	13,595	22,336	64.3%	14,205	22,748	60.1%
Mining damage	-172	-78	-54.7%	-228	-123	-46.1%
Provision for Social Insurance Institution (ZUS) claim for accident contributions	-	-	-	-22,658	-	-
Other	186	498	167.7%	271	1,098	305.2%
Total	15,266	34,538	126.2%	4,872	43,037	783.4%

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

[PLN '000]	Change of provisions in H1 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	19,012	31,729	1,678	-	2,656	-17,051
Provision for real property tax	302	-	302	-	-	-
Provision for the mine closure costs and land reclamation	22,748	1,679	1,752	19,317	-	-
Mining damage	-123	-	-	-	-	-123
Other	1,098	1,262	134	-	-	-298
Total	43,037	34,670	3,866	19,317	2,656	-17,472

[PLN '000]	Change in provisions in Q2 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	11,631	16,118	839	-	2,656	-7,982
Provision for real property tax	151	-	151	-	-	-
Provision for the mine closure costs and land reclamation	22,336	1,015	876	20,445	-	-
Mining damage	-78	-	-	-	-	-78
Other	498	592	61	-	-	-155
Total	34,538	17,725	1,927	20,445	2,656	-8,215



Costs in LW Bogdanka S.A.

Costs by type

[PLN '000]	Q2 2019	Q2 2020	Change	H1 2019	H1 2020	Change
Net production ['000 tonnes]	2,293	1,631	-28.9%	4,825	3,697	-23.4%
Sales ['000 tonnes]	2,405	1,604	33.3%	4,770	3,522	-26.2%
Depreciation/amortisation	95,288	79,591	-16.5%	187,811	166,803	-11.2%
Materials and energy consumption	117,060	116,783	-0.2%	245,169	243,101	-0.8%
Outsourced services	129,261	98,592	-23.7%	256,444	217,954	-15.0%
Employee benefits	128,118	134,458	4.9%	263,950	282,208	6.9%
Entertainment and advertising costs	1,057	636	-39.8%	3,206	3,817	19.1%
Taxes, fees and charges	8,901	9,733	9.3%	21,147	22,931	8.4%
Other costs	561	703	25.3%	1,571	1,227	-21.9%
Total costs by type	480,246	440,496	-8.3%	979,298	938,041	-4.2%
Cost of own work	-65,948	-74,708	13.3%	-126,021	-148,580	17.9%
Accruals and deferrals	28,031	23,070	-17.7%	46,512	43,229	-7.1%
Value of coal obtained from excavations	-21,493	-11,823	-45.0%	-46,993	-24,635	-47.6%
Provisions and other presentation adjustments between costs by type and by function	1,711	8,968	424.1%	22,681	28,253	24.6%
Total production cost	422,547	386,003	-8.6%	875,477	836,308	-4.5%
Change in products	17,555	-8,264	-	-8,428	-40,061	375.3%
Costs of goods and materials sold	4,369	2,654	-39.3%	10,067	6,016	-40.2%
Own cost of sales, including:	444,471	380,393	-14.4%	877,116	802,263	-8.5%
Costs of products, goods and materials sold	410,857	341,999	-16.8%	808,849	724,927	-10.4%
Selling costs	8,799	7,026	-20.2%	17,935	14,976	-16.5%
Administrative expenses	24,815	31,368	26.4%	50,332	62,360	23.9%

Q2 2020

In Q2 2020, LW Bogdanka S.A. incurred costs by type in the amount of PLN 440,496,000 (PLN -39,750,000 y/y), i.e. by 8.3% lower than in Q2 2019. The decrease in costs noted in Q2 2019 was largely influenced by, in particular, lower value of depreciation/amortisation and costs of outsourced services.

The value of depreciation and amortisation went down by 16.5% (to PLN 79,591,000) – the value of natural depreciation fell (approx. PLN 9.6 million) and so did depreciation of non-current assets (approx. PLN 5.6 million). The drop in natural depreciation is a consequence of a lower, by 1,111,000 tonnes, gross extraction (lower wall progress means a smaller scope of removed longwall galleries, and in consequence - lower natural depreciation).

The cost of outsourced services went down by 23.7% compared to the second quarter of 2019, and totalled PLN 98,592,000. In the period under analysis the drops we recorded mainly in the value of works performed on Saturdays and Sundays (PLN -18.9 million), mining and drilling services (PLN -4.3) and waste management (PLN -2.8 million).

Despite that less workings were made, the materials and energy consumption dropped only slightly, i.e. by 0.2%. A drop was recorded in the consumption of materials (PLN -6.9 million), however due to an increase in the electricity prices its cost went up (PLN +6.6 million), which set off that difference.

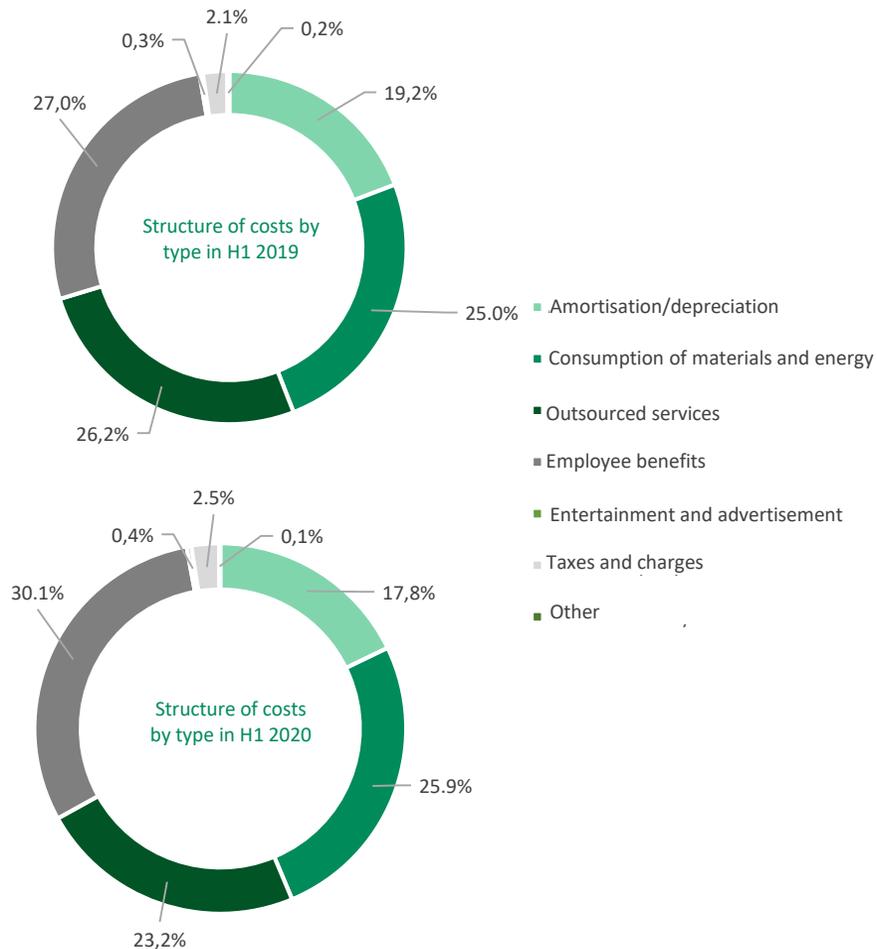
In Q2 2020, compared to Q2 2019, the value of employee benefits increased by PLN 6.3 million. Average employment in LW Bogdanka S.A. increased by approx. 106 people.

The increase in taxes and charges by approx. PLN 0.8 million is primarily attributable to an increase in real property tax (in relation to including workings' gallery lining in the tax base), the National Fund for the Disabled and others (PLN +1.9 million) with a lower service charge (PLN -1.1 million).



Costs in LW Bogdanka S.A.

Costs by type



H1 2020

In H1 2020, LW Bogdanka S.A. incurred costs by type in the amount of PLN 938,041,000, i.e. by 4.2% (PLN -47,257,000) lower than in the same period of 2019. The decrease of costs noted in the analysed period was largely influenced by the reduction in the depreciation/amortisation costs and outsourced services costs.

The value of depreciation and amortisation went down by 11.2% (to PLN 166,803,000) – the value of depreciation of non-current assets and of natural depreciation went down. The drop in value of natural depreciation is a consequence of a lower, by 1,876,000 tonnes, gross extraction (lower wall progress means a smaller scope of removed longwall galleries, and in consequence - lower natural depreciation).

The total value of materials and energy consumption decreased by 0.8% compared to H1 2019, and amounted to PLN 243,101,000.

In the period under analysis, approx. 1.6 km less of excavations were made, the number of heading casing elements in use dropped (PLN -5.6 million), the number of preinsulated pipes and stirrups dropped (PLN -3.4 million and PLN -2.1, respectively), less conveyor tape was used (PLN -3.9 million) and less parts to the ploughing complex were used (PLN -3.6 million).

Despite a lower use of electricity its price grew by 25.9% y/y, therefore the costs of electricity consumption grew by PLN 11.5 million, which set off the drop in costs of materials.

The value of outsourced services in H1 2020, compared to the same period of 2019, decreased from PLN 256,444,000 to PLN 217,954,000 (-15.0%). In the period under analysis, the highest decreases were recorded in the costs of:

- work on Saturdays and Sundays (PLN -22.9 million),
- auxiliary works on working days (PLN -1.6 million),
- drilling and redevelopment of existing excavations (PLN -6.1 million),
- mining waste management (PLN -4.9 million),
- rail coal transport (PLN -2.4 million),

In H1 2020, compared to H1 2019, the value of employee benefits increased by PLN 18,258,000. In the period under analysis increase was recorded primarily in salaries (PLN +9.8 million) and employee benefits (PLN +3.2 million) as a result of higher average employment, negotiated rise in average pay and the PPE programme (employee retirement plan) introduced in the Company in H2 2019 (base understated).

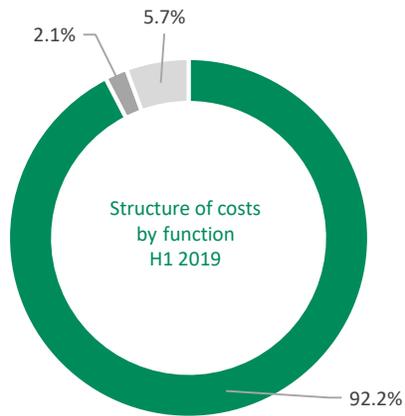
Increase in value of entertainment and advertising costs is a result of, among other things, a higher payment under the agreement with Górnik Łęczna, as well as other sponsorship agreements, concluding advertising agreements and purchase of advertising materials and gadgets in connection with the new Company image policy.

The value of taxes, fees and charges paid in the analysed period of 2020 went up to PLN 22,931,000 from PLN 21,147,000 in the same period of 2019 – increases were recorded in the real property tax (in relation to including workings' gallery lining in the tax base) (PLN +3.6 million), as well as payments to the National Fund for the Disabled (PLN 0.3 million), and the value of service charge dropped (PLN -2.1 million).

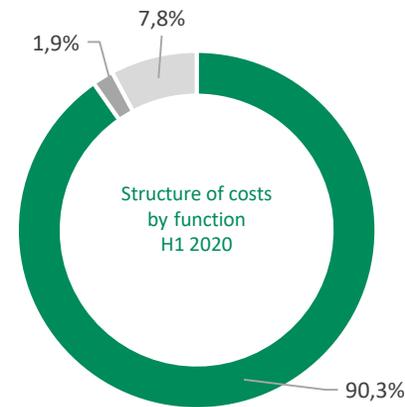


Costs in LW Bogdanka S.A.

Costs by function



- Costs of products, goods and materials sold
- Selling costs
- Administrative expenses



Costs by function

The cost of own production sold (by function) in Q2 2020 amounted to PLN 380,393,000 while in the analogous period of the previous year, it was PLN 444,471,000.

Own cost of production sold (by function) in H1 2020 was PLN 802,263,000 and was lower by 8.5% (PLN -74,853,000) than the cost incurred in the same period of 2019.

The growth in administrative expenses to a great extent results from the presentation of the real property tax in the portion relating to the lining. Furthermore, the increase also resulted from refurbishments carried out in the real property and the purchases of materials.

[PLN '000]	Q2 2019	Q2 2020	Change	H1 2019	H1 2020	Change
Costs of products, goods and materials sold	410,857	341,999	-16.8%	808,849	724,927	-10.4%
Selling costs	8,799	7,026	-20.2%	17,935	14,976	-16.5%
Administrative expenses	24,815	31,368	26.4%	50,332	62,360	23.9%
Own cost of sales	444,471	380,393	-14.4%	877,116	802,263	-8.5%





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 Łęczynska Energetyka), plus cash held, guarantee the financing on an on-going basis. Works are consistently conducted at the Parent to optimise the mining process (with respect to the applied technology, planned cutting of the deposit and access excavations for new deposits). All works (including new excavation planning, extraction and sale of commercial coal) take into account existing and future market risks. Works to prepare new excavations for operational exploitation are carried out in such a manner so as to ensure the continuity of extraction. International and domestic coal prices are monitored on an ongoing basis.

The LW Bogdanka Group pays its liabilities when due. The Group effectively manages its financial resources and, at the same time, deposits free funds with banks (for durations and in values determined on the basis of in-house financial forecasts). As at the 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 difficult to forecast the long-term results of this situation both in the scale of Poland and the industry, and in consequence - difficult to state how it will affect operating and financing activity of the Company in subsequent

quarters. Nevertheless, preventive actions are undertaken on an on-going basis with a view to mitigating the risk of getting infected with coronavirus among the employees of the Parent and its subsidiaries.

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 2020 and 30 June 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 June 2020 stood at PLN 399,366,000, of which:

- PLN 134,982,000 disclosed in non-current assets,
- PLN 264,384,000 is disclosed under current assets.

The amount of PLN 134,982,000 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 264,384,000 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 237,951,000, while the funds accumulated at subsidiaries amount to PLN 26,433,000 (primarily to Łęczynska Energetyka).

Assessment of factors an untypical events affecting the operating profit

The operating results of the Company for the first half of 2020 were mainly influenced by decreased demand for power coal by commercial power plants and the heating sector resulting from:

- warm and windy winter,
- economic slowdown due to the developing epidemic of SARS-Cov-2 coronavirus causing the COVID-19 disease.

Due to the fact that the epidemics development intensified as late as at the end of the first quarter 2020, their impact on financial results and the Group's operating activity in Q1 2020 was relatively small. In Q2 2020, however, the impact of the coronavirus epidemic was significantly bigger. 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 adversely affects the financial result.

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

The issue is discussed in more detail in Note 27 of the condensed interim consolidated financial statements of the LW Bogdanka Group for the first half of 2020.



Information on financial instruments, bonds

Information on derivative financial instruments

As at 30 June 2020, the Parent did not hold any open derivative financial instruments.

Bonds

As at 30 June 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 H1 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 H1 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 H1 2020, the LW Bogdanka S.A. did not grant (or receive) any sureties.

Transactions with related undertakings

In H1 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 29 of the Condensed Interim Consolidated Financial Statements of the LW Bogdanka Group for 2020 for the period of 6 months ended on 30 June 2020.

Guarantees granted by LW Bogdanka S.A.

In H1 2020, LW Bogdanka S.A. did not provide any guarantees.

Guarantees received by LW Bogdanka S.A.

As at 30 June 2020, LW Bogdanka S.A. did not order banks to issue guarantees.

Contracted loans.

In H1 2020 LW Bogdanka S.A. had one loan agreement in effect.

On 12 May 2020, the Parent entered with Bank Gospodarstwa Krajowego S.A. into an open revolving overdraft facility agreement with a credit 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 + fixed bank's margin. The agreement was concluded for 12 months. The repayment is scheduled to take place 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, Łęczyńska Energetyka sp. z o.o. did not use any third-party financing for its operations in H1 2020.

In H1 2020, the following 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 H1 2020 LW Bogdanka S.A. and its subsidiaries did not acquire any treasury shares of the Company.

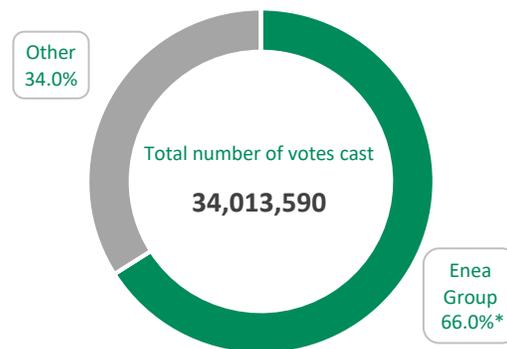
Changes in the shareholding structure by the date of the Report

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 Q1 2020.

Shareholding structure

The graph below shows a shareholding structure of the Company as at 2 September 2020.

Shareholding of LW Bogdanka S.A. as at 2 September 2020



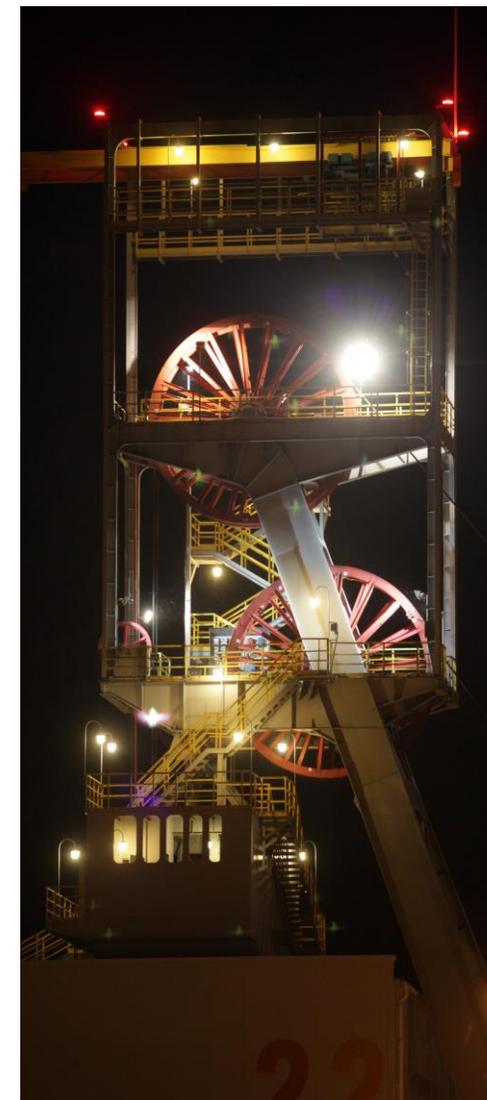
* Enea S.A. holds 64.6% of votes, and jointly with its subsidiary, Enea Wytwarzanie, it holds 66.0% of votes.

Participation of the LW Bogdanka's shares in indices

The Company was first listed on the Warsaw Stock exchange on 25 June 2009. During H1 2020, LW Bogdanka S.A. made part of the following indices:

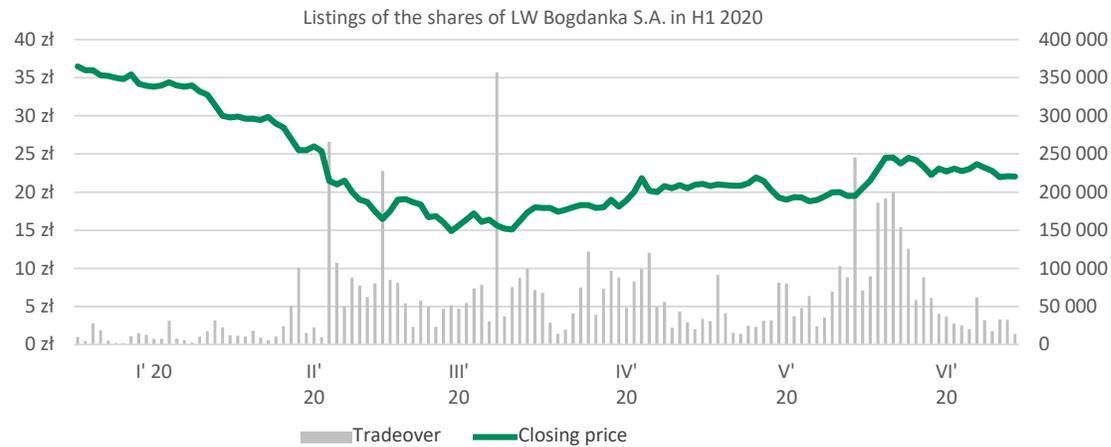
- WIG – includes all companies listed on the WSE Main Market that meet the baseline criteria of the participation in indices.
- mWIG40 – includes 40 medium-sized companies listed on the WSE Main Market. The Company has been present in this index since 18 December 2015;
- WIG Górnictwo – includes companies 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).
- WIG ESG – includes the largest WSE companies from WIG20 and mWIG40, which conduct socially responsible activity.

mWIG40	WIG Poland	WIG-GORNIC
2.13%	0.21%	2.10%
WIG ESG	InvestorMS	WIG
0.11%	0.33%	0.20%





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



Key share indicators:	H1 2018	H1 2019	H1 2020
Maximum price [PLN]	70.70	56.50	36.50
Minimum price [PLN]	45.20	32.30	14.90
Last price [PLN]	53.90	35.60	22.05
Average price [PLN]	56.82	45.81	22.98
Capitalisation at end of period [PLN million]	1,833.33	1,210.88	750.00
Book value [PLN million]	2,963.14	3,121.90	3,263.0
Price/earnings ratio	27.6	6.12	20.4
Price/book value	0.62	0.39	0.23
Dividend rate [%]	-	-	-
Average turnover per session [PLN '000]	787.4	1,008.0	1,165.8
Average volume per session	13,851	22,917	56,543
Number of shares in float [no. of shares]	34,013,590	34,013,590	34,013,590

Analysts' recommendations

Date of Issue	Institution Recommendation	Target price	Price on the date of issue
18 February	IPOPEMA Securities	Sell	PLN 19.05
19 February	Santander	Sell	PLN 25.00
24 February	Erste	Sell	PLN 18.80
17 April	Santander	Sell	PLN 14.00
28 April	BOŚ	Buy	35.00 zł
30 April	Noble Securities	Sell	PLN 18.30
22 May	PKO Securities	Hold	PLN 19.80

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





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	Number of the Company's shares as at 2 September 2020	Par value of the shares (PLN)	The number of the Company shares as of 21 May 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	Number of the Company's shares as at 2 September 2020	Par value of the shares (PLN)	The number of the Company shares as of 21 May 2020	Par value of the shares (PLN)	Number of shares in subsidiary companies
Izabela Antczak-Bogajczyk	0	0	0	0	0
Anna Chudek	0	0	-	-	-
Szymon Jankowski	0	0	0	0	0
Dariusz Batyra	1,000	5,000	-	-	-
Krzysztof Gigol	0	0	-	-	-
Marcin Jakubaszek	0	0	-	-	-
Bartosz Roźnawski	0	0	-	-	-
Michał Stopyra	0	0	0	0	0
TOTAL	1,253	6,265	253	1,265	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 2 September 2020

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



Composition of the Supervisory Board of LW Bogdanka S.A. as at 2 September 2020

Changes in the composition of the Supervisory Board

Until 29 July 2020, the Supervisory Board of LW Bogdanka operated in the following composition:

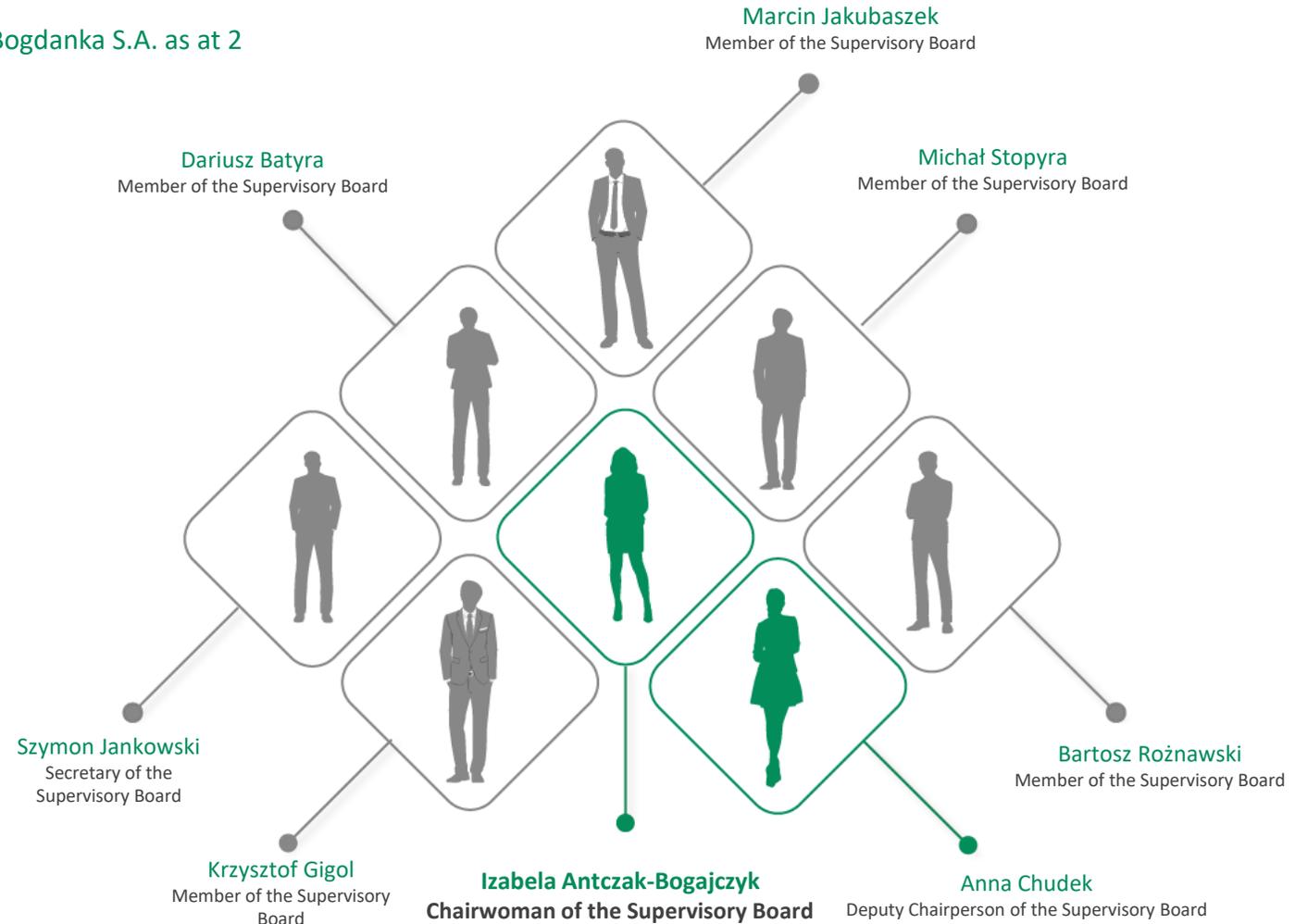
- Mr Mirosław Kowalik
- Ms Izabela Antczak-Bogajczyk
- Mr Szymon Jankowski
- Ms Ewa Nowaczyk
- Mr Mariusz Romańczuk
- Ms Anna Spoz
- Mr Michał Stopyra
- Mr Kamil Patyra

The Annual General Shareholders Meeting of LW Bogdanka S.A. on 29 July 2020 adopted resolutions as a result of which the Supervisory Board was appointed for the joint term of office of three years in the following composition:

- Ms Izabela Antczak-Bogajczyk
- Mr Dariusz Batyra
- Ms Anna Chudek
- Mr Szymon Jankowski
- Mr Bartosz Rożnawski
- Mr Michał Stopyra

The Extraordinary General Shareholders Meeting of LW Bogdanka S.A. on 27 August 2020 adopted resolutions as a result of which the following persons were appointed to the Supervisory Board for the joint term of office of three years:

- Mr Krzysztof Gigol
- Mr Marcin Jakubaszek





Composition of the Company's Supervisory Board as at 2 September 2020

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.

Anna Chudek

Anna graduated in law from the Faculty of Law and Administration at the Marie Curie-Skłodowska University in Lublin. She completed attorney training at the Regional Court in Lublin.

She completed from the following postgraduate studies:

European Project Management and EU Law at the Marie Curie-Skłodowska University in Lublin, Public Procurement at the University of Warsaw,

Company Law at the University of Warsaw.

Anna holds the title of attorney-at-law and is entered into the Register of Attorneys-At-Law of the Lublin Regional Bar Association.

Since 1993, she has been employed as attorney-at-law with the City Council of Świdnik, where she heads the Legal Office. She is also employed by Świdnik District Governor's Office as attorney-at-law and legal services coordinator.

On 1 March 2007, Anna set up a private practice, through which she provides services to local government units, public administration offices, and commercial companies, including from the energy sector.

Between 2006 and 2009 she was a Member of the Supervisory Board of Polskie Radio Regionalna Rozgłośnia "Radio Lublin", and from 3 June 2011 to 25 June 2020 – the Chairwoman of the Supervisory Board of Przedsiębiorstwo Energetyki Ciepłej "PEC" Sp. z o.o. in Świdnik.

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

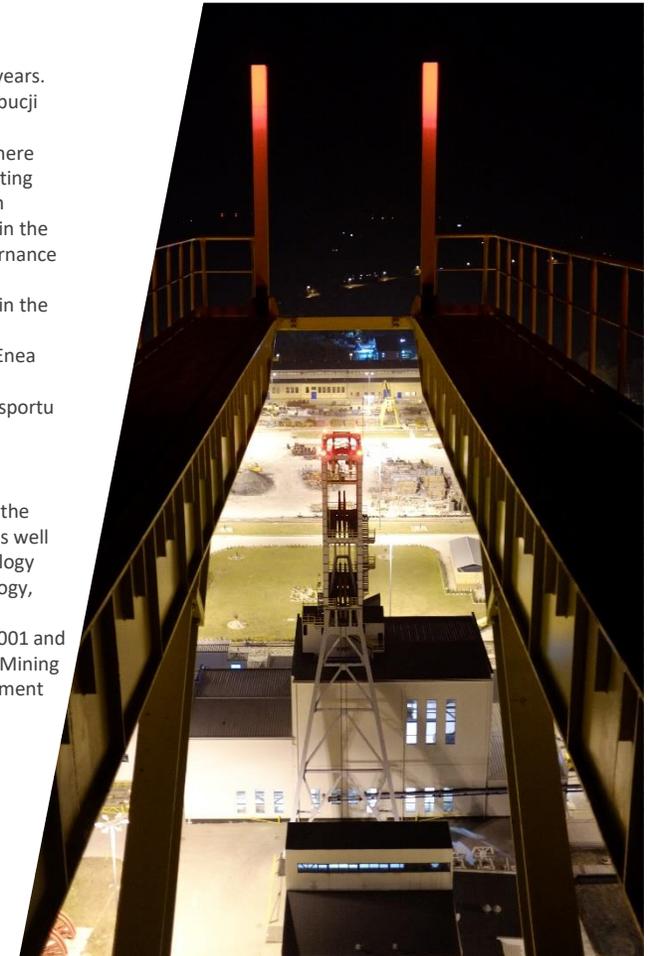
relevant diploma.

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.

Dariusz Batyra

Graduate of the Mining School Complex and the Mining Technical School in Ostrów Lubelski as well as the AGH University of Science and Technology in Krakow, with a degree in Mining and Geology, specialising in Underground Mining. He has been related to LW Bogdanka since 2001 and is currently employed as Underground Chief Mining Foreman, Deputy Manager of Mining Department in the Nadrybie Field.





Composition of the Company's Supervisory Board as at 2 September 2020

Krzysztof Gigol

Krzysztof graduated from the Management Faculty of Kozminski University in Warsaw. He also earned a postgraduate Master of Business Administration degree, having completed the studies at Warsaw School of Administration and Management with top grades.

He boasts many years of practical experience in developing strategies for sales and business growth, as well as in management of teams in energy and industrial sectors. He has successfully designed new structures of organisations and implemented their restructuring processes. Since 2011, he has been involved in heating plant upgrades, as well as investments in cogeneration systems and renewable energy. He implements long-term projects in the field of industrial power generation and in companies owned by local governments. Krzysztof Gigol has been a member of Management Boards and held high-level managerial posts in power companies such as Gaspol Energy, Energia Polska, Cogen Energy, and Energa Obrót. He is an expert in the field of energy efficiency and independence, renewable energy sources and low-emission energy and heat generation. His involvement in social matters includes cooperation with Forum Rozwoju Efektywnej Energii, where he served as expert consultant, and PROZON Foundation for the Protection of the Ozone Layer, where he held the position of Deputy Chairman of the Management Board. He authored numerous articles and publications on energy and the energy security of Poland.

Marcin Tomasz Jakubaszek

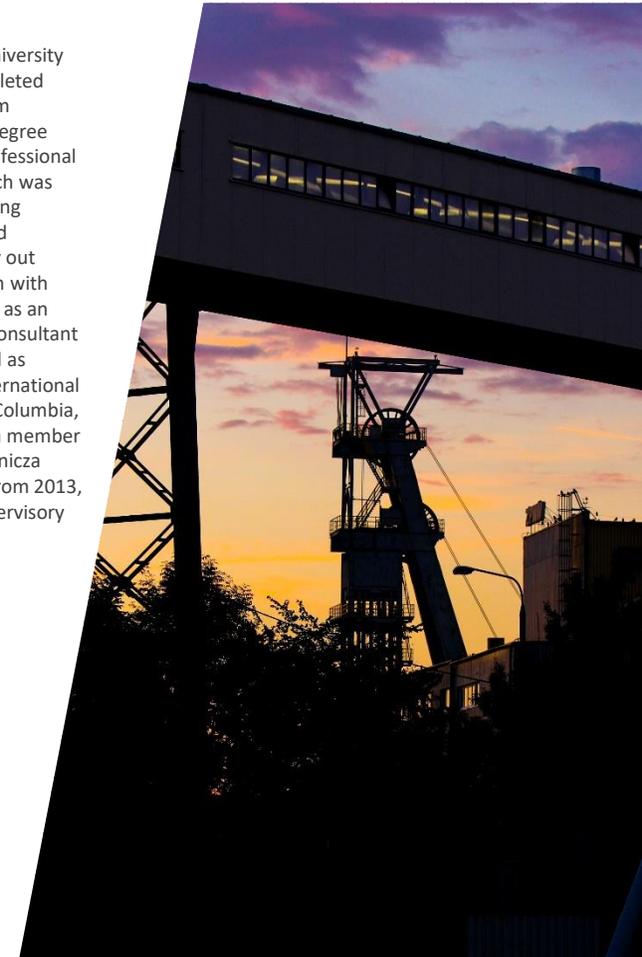
Marcin graduated from the Faculty of Law and Administration of Warsaw University. He holds the title of attorney-at-law and is entered in the Register of Attorneys-At-Law of the Warsaw Bar Association. Moreover, he graduated from the British Law School organised by Warsaw University and Cambridge University. He boasts 24 years of job experience. He has worked as lawyer with Amhurst Brown Sp. z o.o., Wardyński i Wspólnicy Sp.k., and Miller, Canfield, W. Babicki i Wspólnicy Sp.k. He has also served as liquidator in Polcel Sp. z o.o. In 2005, he started his own firm, Marcin Jakubaszek, Radcowie Prawni i Adwokaci. Since 2015, he has been a managing partner at Jakubaszek i Wspólnicy Sp.k., providing legal advisory services. He is Member of the Audit Committee of the Polish-Canadian Chamber of Commerce as well as Member of the Audit Committee of The Sue Ryder Foundation.

Bartosz Rożnawski

Graduate of the AGH University of Science and Technology in Krakow, with a degree in Environmental Engineering as well as Mining and Geology. He has been with LW Bogdanka for 14 years and is currently employed as Manager of Underground Mining Technology.

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 Techniczna 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 adopted for use in the European Union
- **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
- **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



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