



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



**Lubelski Węgiel  
Bogdanka S.A.**

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

Share in the hard coal market in Poland

**13.2%**

Share in the thermal coal market

**20.8%**

Share in the supplies of coal to the commercial power sector

**27.4%**



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Summary of operations



### Operating data of the LW Bogdanka Group for Q1-Q3 2020

Gross coal extraction – 8.6 million tonnes

Production of commercial coal – 5.5 million tonnes

Yield – 64.5%

Sale of commercial coal – 5.7 million tonnes

New excavations – 19.7 km

### Employment at the LW Bogdanka Group

Headcount at the end of Q3 2020 – 5,639 FTJs

Decrease in headcount comparing to 2019 – 0.3%

### Financial data of the LW Bogdanka Group for Q1-Q3 2020

Revenue on sales – PLN 1,353.5 million

Profit on sales – PLN 48.9 million

EBIT – PLN 50.7 million

EBITDA – PLN 317.6 million

Net profit – PLN 34.8 million





## Key events in three quarters of 2020

### Q1 2020

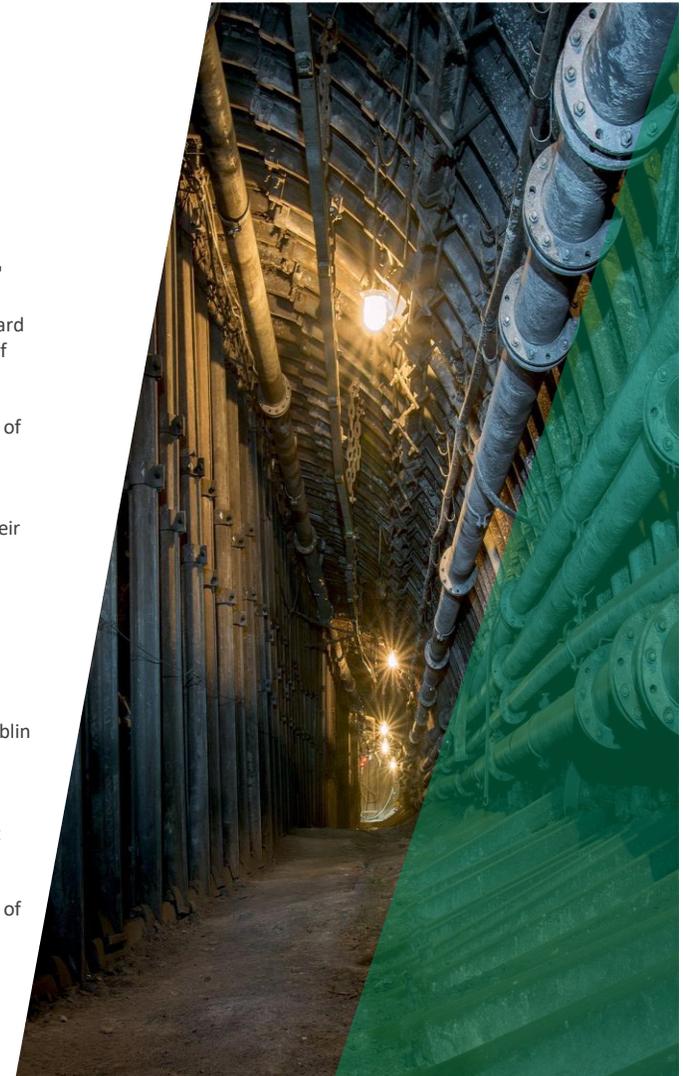
- court registration of the amendments in the Articles of Association of LW Bogdanka S.A.
- the epidemic of SARS-Cov-2 coronavirus causing the COVID-19 disease, developing since the beginning of 2020 (details on page 20)

### Q2 2020

- 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. – amendment to the Company's Articles of Association
- concluding an Annex with Enea Elektrownia Połaniec S.A.
- court registration of the amendments in the Articles of Association of LW Bogdanka S.A.

### Q3 2020 and events until the publication date

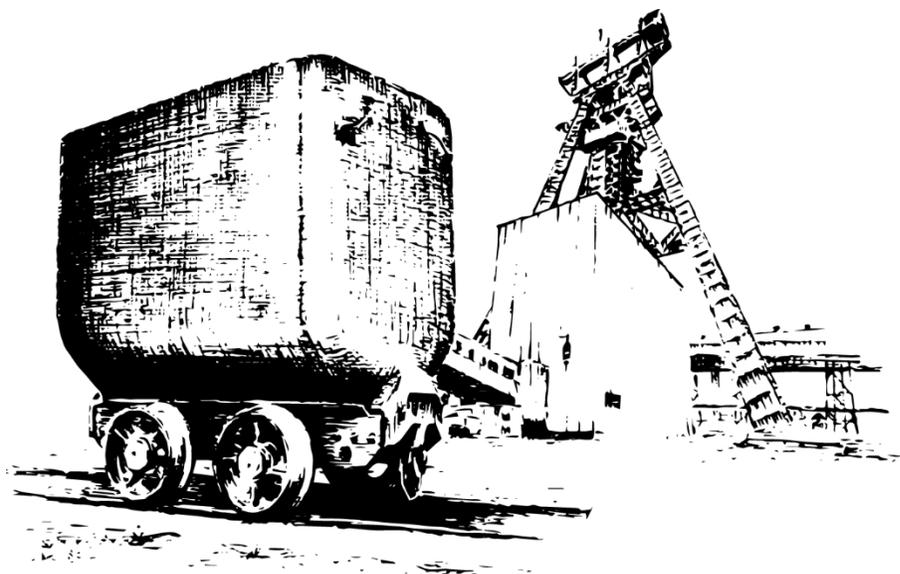
- session of the Annual General Shareholders Meeting of LW Bogdanka S.A. – approval of financial statements, directors' report, adoption of resolution on the distribution of profit, granting discharge to the members of the Management Board and the Supervisory Board, appointment of the members of the Supervisory Board for a new term
- session of the Extraordinary General Shareholders Meeting of LW Bogdanka S.A. – appointment of new members of the Company's Supervisory Board
- First Call to Shareholders of LW Bogdanka S.A. to submit their share certificates to the Company
- update of production target for 2020
- appointment of a member of the Company's Supervisory Board by the Minister of State Assets
- financial support provided by Provincial Labour Office in Lublin
- resignation of Chairwoman of the Supervisory Board
- Second Call to Shareholders of LW Bogdanka S.A. to submit their share certificates to the Company
- session of the Extraordinary General Shareholders Meeting of LW Bogdanka S.A. – appointment of a new member of the Company's Supervisory Board
- Concluding an Annex to the Agreement with Grupa Azoty Zakłady Azotowe Puławy S.A.





## 2

Organisation and business  
activities of the LW Bogdanka  
Group



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

### Lubelski Węgiel Bogdanka Spółka Akcyjna

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Industry ID No. (REGON): 430309210  
Tax Reg. No. (NIP): 713-000-57-84  
E-mail: bogdanka@lw.com.pl

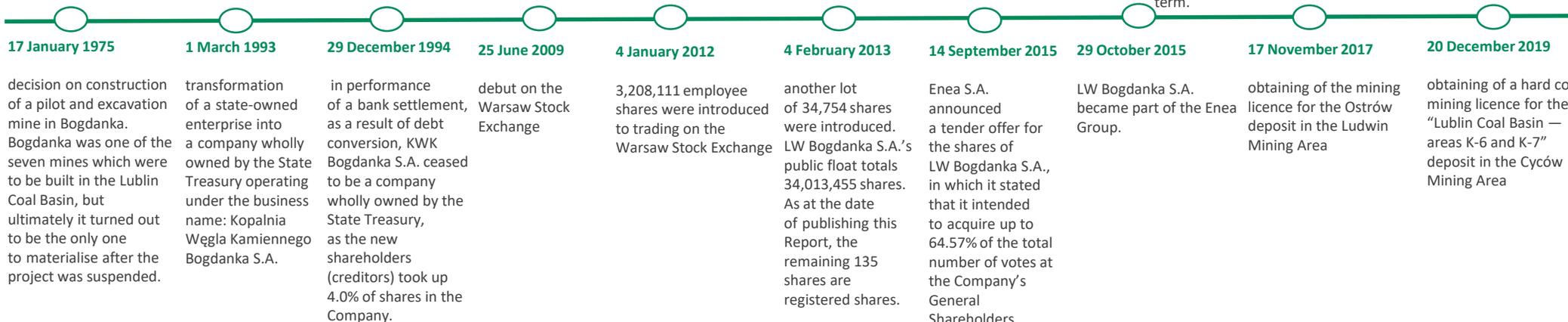
### Legal form and regulations which provide a basis for the Company's activities

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

- Act of 15 September 2000 – Commercial Companies Code
- Act of 9 June 2011 – Geological and Mining Law

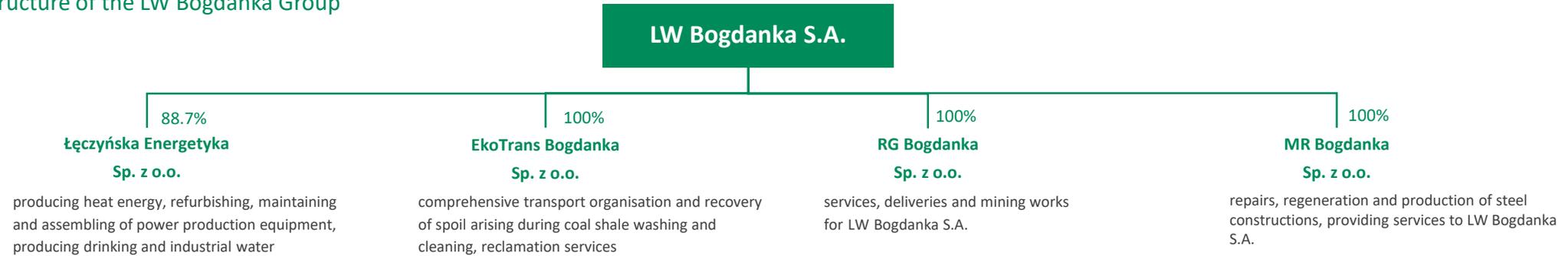
The founder of the Company is the State Treasury, represented by the Minister of the State Treasury.  
The Company may operate in Poland and abroad.  
The Company was established for an indefinite term.

### 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

During three quarters of 2020, there were no changes in the structure of the LW Bogdanka Group or in the Group's organisational and capital associations with other entities. In the period in question there were no changes in the structure of the LW Bogdanka Group that would result from merger of business entities, acquisition or sale of the Group's undertakings, long-term investments, division, restructuring or discontinuation of activities.





## Development strategy of LW Bogdanka S.A.

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

### Vision

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

### Mission

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

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

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

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

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

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

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

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

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

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

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

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

### Corporate social responsibility (CSR)

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

### Dividend policy

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

As the situation on the market is undergoing dynamic changes, the Company is working on updating the Strategy within the ENEA Group.





## Development strategy of the subsidiaries

### Development strategy of Łęczynska 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 - Łęczna – 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 of 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 of 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 the three quarters of 2020

In Q3 2020, LW Bogdanka S.A. performed the planned investment tasks. In this respect capital expenditures for non-current assets totalled PLN 491,820,000.

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.

### INVESTMENTS 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 Q3 2020 LW Bogdanka S.A. purchased and assembled machines and equipment for a total amount of PLN 58,557,000, including costs of assembling. The most important items include: belt conveyors, PEGAZ Leg-Support Device, JOY cutting machine, sections of the mechanised wall lining, and air barrages.

Purchases of finished goods (machines and equipment) – the finished goods worth PLN 12,609,000 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, as well as innovation purchases, such as output loader set.

Upgrades and repairs of machines and equipment – the amount of PLN 6,878,000 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 1,437,000 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 1,432,000; 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 16,804,000 – 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 2,019,000 was allocated for the purchase of gantry crane in Stefanów, construction of a tower crane, hardening the yard next to the lift machinery building in Nadrybie.

ICT – PLN 1,315,000 was allocated for the purchase of computer equipment and systems.

### OPERATIONAL INVESTMENTS LW BOGDANKA S.A.



#### New workings and upgrade of existing ones

New excavations were built in accordance with the applicable Mining Works Schedule. The total length of the gallery workings as part of investments in three quarters of 2020 was equal to 16.4 km (total: 17.5 km) with the value of PLN 176,003,000.

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 47,568,000.



## Investment projects completed in three quarters of 2020

The LW Bogdanka Group companies incurred expenditure for non-current assets of PLN 4,056,000.

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

**Łęczyńska Energetyka**

Investment tasks completed in Q1-Q3 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 Q1-Q3 2020 the Company's capital expenditure totalled PLN 3,446,000.

**RG Bogdanka, MR Bogdanka and EkoTrans Bogdanka**

In Q1-Q3 2020 incurred capital expenditure in the total amount of PLN 610,000. These expenses were related to material investments.

## Selected items of capital expenditure in the LW Bogdanka Group

[PLN '000]	PTE 2020	Performance of PTE in Q1-Q3 2020	Performance of PTE in Q1-Q3 2020 [%]
New workings and upgrade of existing ones	293,582	223,571	76.2%
Maintenance of machinery	126,775	78,044	61.6%
Obtaining new licences	350	-	0.0%
Ostrów Field	2,950	450	15.3%
Longwalls	166,750	167,115	100.2%
Other development investments	37,909	19,158	50.5%
ICT	6,705	1,315	19.6%
Administration	30	61	203.3%
Transport	95	65	68.4%
Other	5,476	2,041	37.3%
<b>TOTAL CAPEX in LW Bogdanka S.A.</b>	<b>640,622</b>	<b>491,820</b>	<b>76.8%</b>
Łęczyńska Energetyka Sp. z o.o.	10,800	3,446	31.9%
Other subsidiaries	2,739	610	22.3%
<b>TOTAL CAPEX at the LW Bogdanka Group</b>	<b>654,161</b>	<b>495,876</b>	<b>75.8%</b>

## Capital expenditure for excavations in Q1-Q3 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	11,941.5			
Basic excavations	linear	3,848.1	40,710	264,281	223,571
Reconstructions	linear / natural	2,200.2			

The total length of the corridor workings made in the period of 9 months of 2020 was 17,487.3 m. The reconstructions of the workings were executed as per the assumptions of the time schedule. The total expenditure on reconstruction of the corridor workings in that period amounted to PLN 47,568,000. The total expenditure incurred on the new workings and on the modernization of the existing ones amounted to PLN 176,003,000.

Fractions are not included in the values indicated in the tables, because they are directly recognised in the costs. However, fractions are included in the total length. In this case, this is about 1,697.7 m.



## Coal prices on the international market

### CIF ARA coal prices

- USD 50.6/tonne – the average coal price (CIF ARA) in Q3 2020, i.e. -12.0% (compared to USD 57.5/tonne in Q3 2019)
- comparing to the average coal price (CIF ARA) in Q2 2020, (USD 42.6/tonne), it's an increase by 18.8%
- average price after three quarters of 2020 was USD 47.4/tonne, down by 23.7% y/y, (USD 64.4/tonne)

### Inventories in ARA ports

- 5.9 million tonnes of coal inventories at the end of September 2020 in ARA ports – compared to 5.8-6.0 million tonnes at the end of June 2020

### Prices in the world's main ports

- The average coal price FOB Baltic Ports in Q3 2020 amounted to USD 46.0/tonne, i.e. down by 12.9% (USD 52.8/tonne) compared to Q3 2019
- comparing to the average price in Q2 2020, (USD 44.0/tonne), it's an increase by 4.5%
- average price after three quarters of 2020 was USD 45.7/tonne, i.e. down by 21.6% y/y (USD 58.3/tonne)

### China

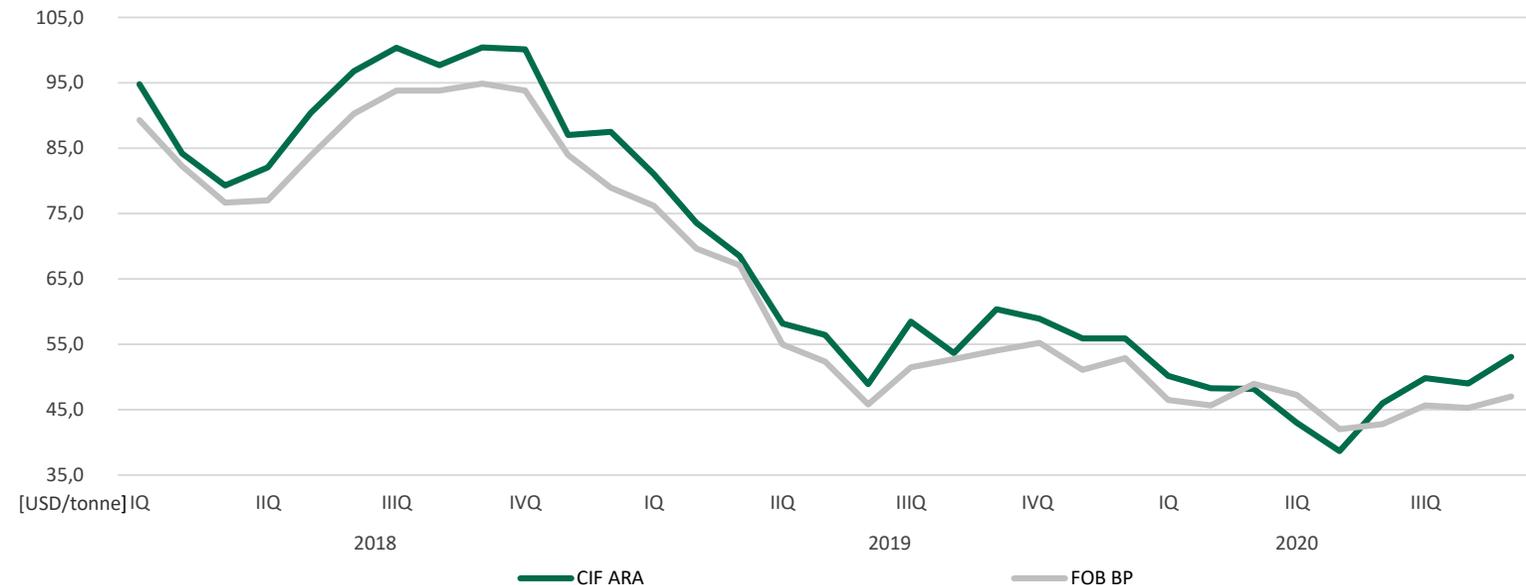
- Approx. 2.8 billion tonnes of coal were produced in Q1-Q3 2020, +3.7% compared to Q1-Q3 2019 (2.7 billion tonnes)
- imports in Q1-Q3 2020 were 239.4 million tonnes – a decrease by approx. 4.5% compared to Q1-Q3 2019 (250.6 million tonnes)

### USA

- production in Q1-Q3 2020 was 361.2 million tonnes, -23.5% compared to Q1-Q3 2019 – (472.2 million tonnes)
- consumption in Q1-Q3 2020 amounted to 326.3 million tonnes, -22.4% compared to Q1-Q3 2019 – (420.3 million tonnes)
- exports in Q1-Q3 2020 were 46.4 million tonnes of hard coal, -28.4% y/y

### Russia

- production in Q1-Q3 2020 was 293.0 million tonnes, -8.2% y/y (319.0 million tonnes in Q1-Q3 2019)
- exports in Q1-Q3 2020 were 142.0 million tonnes, -1.4% y/y (144.0 million tonnes in Q1-Q3 2019)





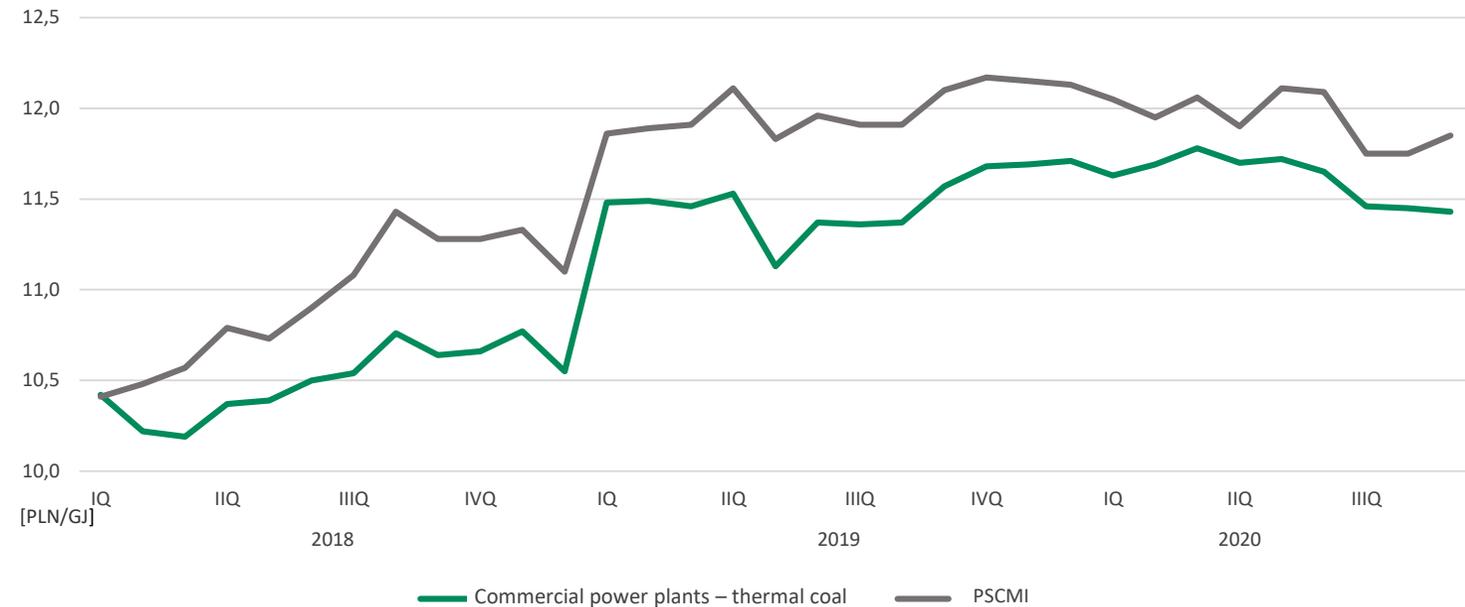
## Fine thermal coal prices in the domestic market

### Fine thermal coal prices

- in Q3 2020, the average annual price of fine thermal coal for commercial power plants was PLN 11.45 per GJ, the change dynamics was ca. 0.2% y/y
- during three quarters of 2020 (PLN 11.61 per GJ) – up by 1.7% compared to the same period of 2019 (PLN 11.42 per GJ)
- average heating value of fine coal for commercial power plants was about 21.7 GJ

### Prices based on the PSCMI index

- in Q3 2020 the average price based on the PSCMI index was approx. PLN 11.78 per GJ, which compared to average price in Q3 2019 (PLN 11.97 per GJ) represents a decrease by approx. 1.6%
- in three quarters of 2020 the price stood at a level of PLN 11.95 per GJ, which represents an increase by 0.1% compared to PLN 11.94 per GJ in three quarters of 2019





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

### Production of thermal coal in Poland

- in three quarters of 2020, the production of thermal coal amounted to about 31.0 million tonnes, which represents a decline of 16.0% y/y

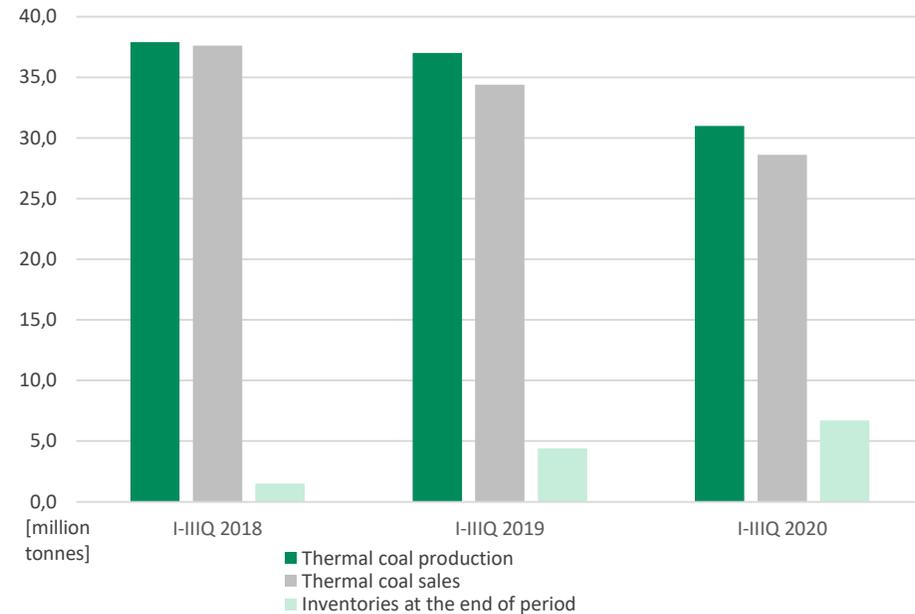
### Sales of thermal coal market in Poland

- sales in three quarters of 2020 amounted to about 28.6 million tonnes, including about 18.4 million tonnes of thermal fine coal sold to commercial power plants
- sales of thermal coal decreased by about 17.0% in comparison to three quarters of 2019

### Inventories of coal in Poland

- the level of thermal coal inventories at the end of Q3 2020 totalled 6.7 million tonnes (at the end of Q3 2019 – 4.4 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 18.4 million tonnes of thermal fine coal. The most important customers from the commercial power industry are as follows:

- Tauron
- PGE
- Enea
- PGNiG
- ENERGA

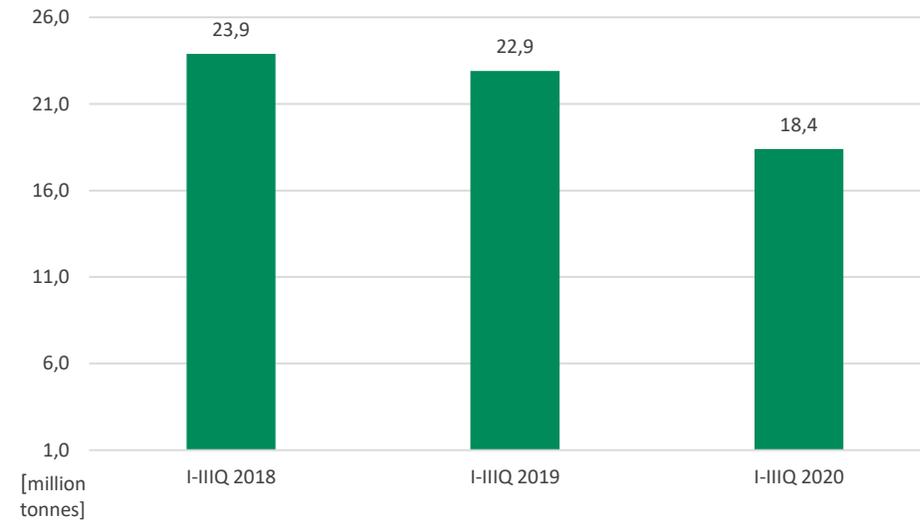
### Sales of thermal coal market in Poland

In three quarters of 2020, about 28.6 million tonnes of thermal coal were sold in Poland. 27.8 million tonnes of thermal coal were delivered to the domestic market, including 18.4 million tonnes of thermal fine coal.

### Export of coal

About 3.1 million tonnes of coal were exported, including approx. 0.7 million tonnes of thermal coal.

Sales of thermal coal to commercial power plants





## Electricity generation in Poland

### Electricity generation – total

- In three quarters of 2020, 110,593 GWh of electricity was produced, which represents a decrease of 7,758 GWh (-6.6%) versus the same period of 2019.

### Power generation from coal

- Coal was the main fuel used to produce electricity. In three quarters of 2020 it was used to produce 79,973 GWh, which was a decrease by 10,344 GWh (-11.5%) compared to three quarters of 2019.
- In three quarters of 2020 coal accounted for 72.3% of total electricity production in Poland, but its share in the fuel mix went down by 4.0% in comparison with three quarters of 2019.

### Power generation from hard coal

- Hard coal served for producing electricity of 51,442 GWh (down by 12.2% compared to three quarters 2019).

### Power generation from lignite

- Lignite was used to produce 28,531 GWh of electricity (10.0% less than in three quarters of 2019).

### Power generation by wind farms

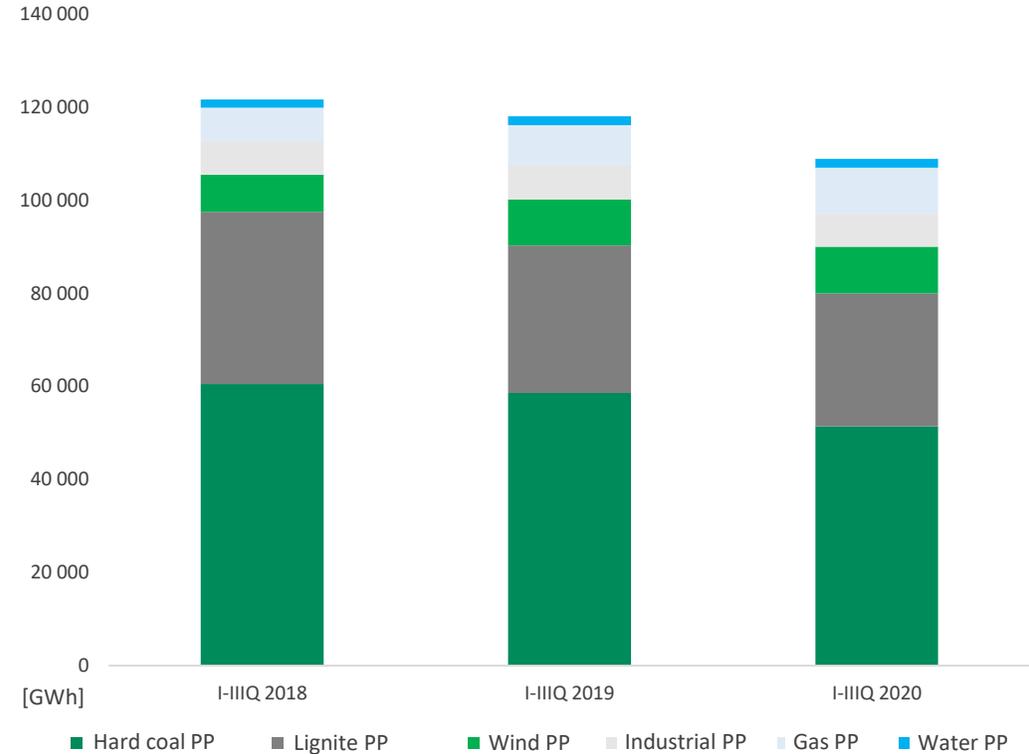
- Wind farms produced 10,080 GWh of electricity, which represents an increase by 2.2% in comparison with three quarters 2019. Wind made up about 9.1% of electricity production.

### Power generation by gas-fired power stations

- Gas-fired power plants produced 9,868 GWh of electricity, which was an increase of 15.9% compared to three quarters of 2019. Energy generation in gas-fired power plants has achieved the highest growth dynamics y/y.

### Electricity consumption on the domestic market

- In three quarters of 2020, the use of electricity totalled 120,869 GWh, which represents a decrease of 4,916 GWh (-3.9%) versus the same period of 2019.





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

A full description of risks connected with the Group's operations can be found in the Report for 2019. Below please find risk factors which the Group sees as the most important risk factors in the perspective of the following (the fourth) quarter.

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

Plans of the government concerning enterprises operating in the hard coal mining and power engineering sector have a significant influence on the market position of the LW Bogdanka Group. An updated "Draft of Poland's energy policy until 2040" was announced on 8 September 2020. The assumption of the draft is that Polish economy will continue to be based on hard coal, however, due to increased demand for electricity, its share in production structure will decline. The estimated annual share of consumption of coal dedicated to electricity production will stand at a level of approx. 56% in 2030 and 28% in 2040 assuming a balanced growth of fees for CO2 emissions allowances. Poland's energy policy until 2040 also assumes withdrawal from use of coal for individual heating in towns by 2030 and in rural areas by 2040. These assumptions are neutral from the point of view of LWB, hence the production plan levels for the following years should be maintained.

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

The prices of thermal coal and raw materials alternative to thermal coal (crude oil, natural gas, renewable sources) are the main factors shaping the prices of raw materials on global markets, and consequently, on the domestic market. This is of key significance for the activities conducted by the Parent. In Q2 2020 prices on the international markets stabilized and slowly rose, they did not, however, reach the levels recorded in 2019. This increase resulted mainly from the improved supply and demand situation of the largest customers of imported coal in Europe, which was a consequence of enhanced functioning of countries' economies after their temporary shrinking as a result of the COVID-19 pandemics. Following the growth trend started in 2017, prices stabilised in the second half of 2020 on the domestic market of thermal coal. Use of coal in electricity production also increased as a result of reopening economy after the lockdown imposed at the end of Q1 and beginning of Q2. Nonetheless, based on data presented by ARP, increased inventories may still be observed in Silesian mines.

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

A material aspect of the operations conducted by the Company is the necessity to secure future extraction possibilities by providing access to new coal resources. Restriction of the mining capacity may shorten the life of the mining plant and/or reduce the assumed level of extraction of hard coal, and therefore decrease future financial results of LW Bogdanka S.A. and the Group. As a result of measures taken so far by LW Bogdanka S.A., in November 2017 a mining licence was obtained for the "Ostrów" deposit (Ludwin Mining Area) and in December 2019 –

a mining licence was obtained for the "K-6, K-7" deposit (Ludwin Mining Area), which allowed the held resources to be increased nearly two-fold and ensured raw materials base for the following years of the mine's operations.

Making new deposits available 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 factors

Extracting coal from underground seams is a complex process which is subject to strict technical and technological requirements. During such operations, various stoppages can occur due to planned and unplanned technical interruptions (e.g. malfunctions). In this group of risks, there is also a risk of unexpected, usually local, deterioration of the quality of the deposit.

Countermeasures:

- infrastructure availability – two lifting shafts,
- transport of the excavated material from the Stefanów Field to the Bogdanka Field by underground excavations,
- system of underground coal storage reservoirs,
- raw coal reservoirs on the surface,
- use of advanced mining equipment and

machines,

- developing solutions minimising the risk of adverse events,
- research and development work aimed at increasing work productivity and safety.

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

Trade unions hold a significant position in the hard coal mining sector and play an important role in determining staff and payroll policy, frequently forcing renegotiations of wage policy through protest actions. As at the end of Q3 2020, six trade union organisations operated at the Group (of which four trade union organisations at LWB associating approx. 66.59% 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.



### 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 and Q3 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. The decrease largely corresponds to the consequences of the ongoing coronavirus epidemic. In order to mitigate the negative influence of coronavirus on its financial results, the Group took a number of adjusting and optimizing actions.

One such action was the application filed by the Parent with the Provincial Labour Office to be granted financial support from the Guaranteed Employee Benefits Fund ("GEBF") in order to protect jobs (as part of Anti-Crisis Shield 4.0 relief package). The application was accepted and on 6 October 2020 the Parent was informed that it was granted financial support from GEBF amounting to PLN 33.7 million. The financial support will be paid in three parts starting October 2020.

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. It should also be noted that on 29 September the Parent updated production assumptions for 2020 and now expects total annual net output of approx. 7.4 million tonnes. This level is lower compared to the expected under standard circumstances and its update was influenced by a number of factors. The significantly reduced demand for thermal coal from the commercial power plants and the heat sector observed in the first half of 2020 was a result of a warm and windy winter as well as the decreased economic activity due to the coronavirus pandemic. In Q3 2020, apart from the abovementioned factors, there were also geological and mining circumstances which limited the assumed wall progress and achieved yield levels, such as deforming pressure increment causing limited capacity of longwall workings.

These difficulties, combined with staff shortages stemming from the growing number of COVID-19 infections as well as the obligation to isolate employees who had been in contact with infected persons have resulted in significant limitation of output. It shall, however, be emphasized that the Parent believes these hindrances to be temporary.





## Workforce changes

### Employment at the Group

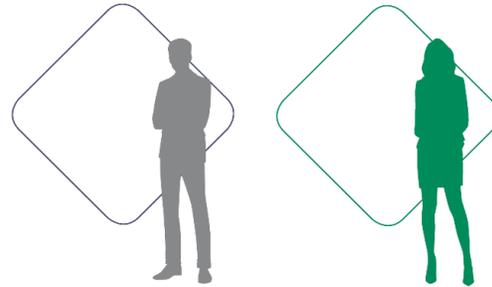
Three quarters of 2020 brought a 1.0% increase in employment in the Group (comparing to Q3 2019). The highest increase in FTJs was recorded in RG Bogdanka Sp. z o.o.

### Workforce of the Parent

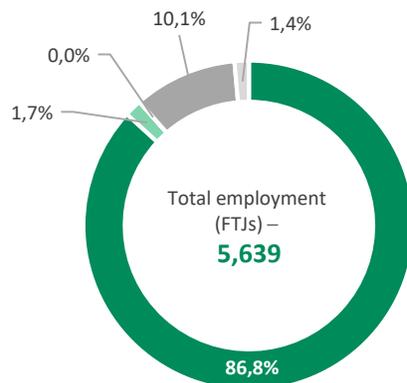
At the end of Q3 2020 the personnel employed at the Parent accounted for 86.8% of total employment in the Group.

Blue-collar workers accounted for 84.1% of all employees. Comparing the workforce as at 30 September 2019 the number of underground staff went up by 8.0 workers, i.e. 0.2%. Underground personnel constituted the main group employed in LW Bogdanka S.A., i.e. 73.1%.

In Q3 2020, 46 employees were hired to LW BOGDANKA S.A., while 25 employees left the Company.

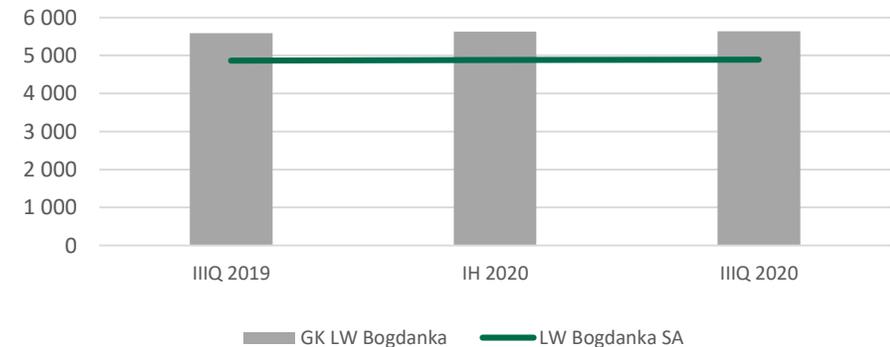


Employment (FTJs)	30 Sep. 2019	30 Jun. 2020	30 Sep. 2020	Workforce structure at the Group	Change Q3 2020/ Q3 2019	Change Q3 2020/ Q2 2020
	<b>Total</b>					
Total workers	4,099.0	4,105.0	4,114.0	-	0.4%	0.2%
Underground workers	3,151.0	3,148.0	3,152.0	-	0.0%	0.1%
Surface workers	948.0	957.0	962.00	-	1.5%	0.5%
Full-time employees underground	417.0	416.0	424.0	-	1.7%	1.9%
Full-time employees on the surface	345.0	357.5	352.0	-	2.0%	-1.5%
Total underground	3,568.0	3,564.0	3,576.0	-	0.2%	0.3%
<b>LW Bogdanka S.A.</b>	<b>4,861.0</b>	<b>4,878.5</b>	<b>4,890.0</b>	<b>86.8%</b>	<b>0.6%</b>	<b>0.2%</b>
RG Bogdanka Sp. z o.o.	541.0	572.0	570.0	10.1%	5.4%	-0.3%
MR Bogdanka Sp. z o.o.	84.5	82.5	79.5	1.4%	-5.9%	-3.6%
EkoTrans Bogdanka Sp. z o.o.	1.0	2.0	2.0	0.0%	100.0%	0.0%
Łęczyńska Energetyka Sp. z o.o.	98.1	95.2	97.2	1.7%	-0.9%	2.1%
<b>LW Bogdanka Group</b>	<b>5,585.6</b>	<b>5,630.2</b>	<b>5,638.7</b>	<b>100.0%</b>	<b>1.0%</b>	<b>0.2%</b>



### Workforce 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. Preventive actions and health education supplemented COVID-19 pandemic protective efforts and countermeasures.

### 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 constitutes a platform for 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 has an observable result in the form of a more beautiful Łęczna achieved by, for instance, revitalization of Miners' Square (September), planting a flower meadow (July), creation of a Relaxation Corner.

A project "Soil – agricultural space. Sustainable agriculture in the areas in vicinity of LWB" is completed in partnership with IUNG-PIB. It's goal, in the long term, is to ensure farmers harvest crops of desirable quality in a way which is safe for both the environment and consumers. This will be achieved by analyzing the condition of soil and conducting educational activities for farmers in order to reduce the adverse impact of agriculture on the surrounding natural environment. The mine continues cooperation with the Polish Society for the Protection of Birds on a project related to aquatic warbler, which we have been protecting for several years. The project assumes the creation of links (dams) through the development of green infrastructure – maintaining the existing areas which can be used by the birds as rest places and renaturalising the historic ones. This will allow the ephemeral habitats to be filled with specimen from local population.

### Employees involvement

LW Bogdanka S.A. is implementing "Bogdanka's Active People" programme which opens the possibility for obtaining financing for amateur or semi-professional activity performed additionally to regular work for employees of the Group. It 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. Accepting applications for the second edition was closed at the end of September.

### 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 three quarters of 2020, 17 initiatives were completed including support provided to children in the Little Prince Hospice in Lublin or equipment provided to eight schools in small towns.





### 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.



In July 2020 new Rules governing donation granting by the LW Bogdanka's Management Board were adopted. They introduce, for instance, a uniform application form and a standard form of a statement, as well as regulate information on donation policy for the Company's stakeholders.

### 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 Rogóźno.

The Company also takes care of 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

To satisfy the requirements imposed on the companies listed on the Warsaw Stock Exchange and to address the changes to European and Polish laws, LW Bogdanka S.A. launched activities aimed at improving applicable compliance policy solutions. Compliance policy making part of Quality Management System is a manifestation of the Company's dedication to maintaining high ethical standards and acting lawfully.



Code of Ethics introduced in the LW Bogdanka Group in November 2018 still applies and must be complied with by 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.”**

LW BOGDANKA S.A. continues the cooperation within the industry as part of the Górnictwo O.K. initiative – 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 between 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 in Krakow.

**Stable development in uneasy environment – Integrated Report for 2019**

In July 2020 a report “Stable development in uneasy environment” was published. It is the Group's seventh report prepared on the basis of the Global Reporting Initiative standard and sixth integrated report which illustrates the relation between financial results and extended non-financial details. This year's report presents the Bogdanka Group's operation in a broad context, underlines its role and significance in the Lublin region. LW Bogdanka S.A. is a substantial employer, tax payer and economic pillar of the region. It is also a socially responsible sports and culture patron, who actively supports initiatives relevant for the local communities. Without Bogdanka, the Lublin region would have been the province with the second highest unemployment rate, and income per citizen in the Puchaczów Commune would be lower by a half.



**Mining success of the year in environment protection**

In February the LW Bogdanka S.A. 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 renaturation

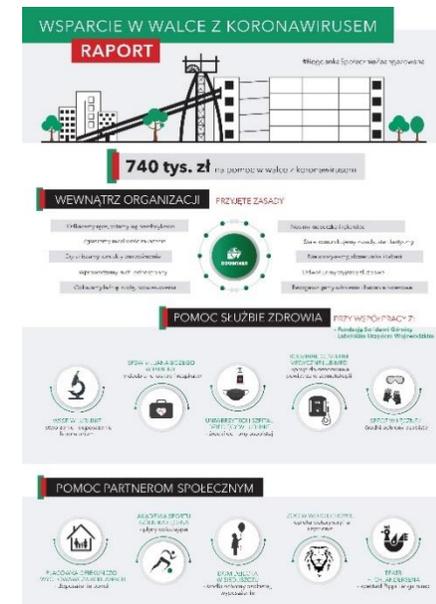
of presence of aquatic warbler in the area of Krowie Bagno as well as strict cooperation with the Łęczna Municipality and the Landscapes Foundation for the purpose of environmental education and sustainable development has been appreciated and found to be best practice in Poland. Another success was 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**

This year LW Bogdanka S.A. provided aid to hospitals and institutions fighting the coronavirus pandemic which totalled PLN 800,000. As part of cooperation with the Ministry of State Assets and the Province Governor's Office in Lublin, the Company donated financial support for necessary medical equipment to create an additional virology laboratory in the province to carry out diagnostic tests for SARS-CoV-2. The new lab will allow the number of tests performed locally to grow to 400 per day. The Company has also donated PLN 500,000 for hospitals and health services in the Lublin province. Furthermore, LW Bogdanka S.A. supported two hospitals with which it has been cooperating for many years: Children's Research Hospital in Lublin, Public Health Care Centre in Łęczna, and Independent Public Research Hospital No. 1 in Lublin 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

LW Bogdanka S.A. has introduced numerous changes to the organisation and rules with a view of protecting employees and their families against coronavirus infection while 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 dedicated staff and work teams managing the situation on an ongoing basis.





# 3

Financial standing



## Production, sales and inventories of coal

### Production, sales of commercial coal of the Company

['000 tonnes]	Q3 2019	Q3 2020	Change	Change %	Q1-Q3 2019	Q1-Q3 2020	Change	Change %
Gross coal extraction	3,564	3,060	-504	-14.1%	10,971	8,592	-2,379	-21.7%
Production of commercial coal	2,302	1,841	-461	-20.0%	7,127	5,538	-1,589	-22.3%
Yield (%)	64.6%	60.2%	-4.4 p.p.	-6.8%	65.0%	64.5%	-0.5 p.p.	-0.8%
Sale of commercial coal	2,291	2,178	-113	-4.9%	7,061	5,700	-1,361	-19.3%
New excavations (km)	7.5	6.6	-0.9	-12.0%	21.7	19.7	-2.0	-9.2%

### Inventories of commercial coal of the Company

['000 tonnes]	30 Sep. 2019	31 Dec. 2019	30 Sep. 2020	Change [%] 30 Sep. 2020 / 31 Dec. 2019	Change [%] 30 Sep. 2020 / 30 Sep. 2019
Inventories of coal		153	17	-90.5%	-88.9%

### Structure of commercial coal production

[%]	Q3 2019	Q3 2020	Q1-Q3 2019	Q1-Q3 2020
Fine coal	99.2%	98.9%	99.3%	99.3%
Pea coal	0.8%	1.1%	0.7%	0.7%
Total	100.0%	100.0%	100.0%	100.0%

The lower operating results of the Company for three quarters 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. After the slowdown period, the demand for power coal has returned to normal and sales have returned to the levels recorded in previous years. As wall run timetable and deadlines have been altered, the dates of commencement of works on new walls intended for exploitation this year changed, too. As a result, a number of factors limiting the assumed progress on walls and the levels of yield occurred in September. The largest negative impact was brought about by a deforming pressure increment on one of the walls, which limited the operational capacity of longwall workings, hence limiting the progress on that wall.

### Production of coal

(-) gross extraction of coal in 3Qs of 2020 decreased by 21.7% y/y, i.e. 2,379,000 tonnes.  
 (-) production of commercial coal in 3Qs of 2020 was 5,538,000 tonnes, i.e. less by 1,589,000 tonnes than in the same period of 2019.  
 (-) yield for 3Qs of 2020 was 64.5% compared to 65.0% for the same period of 2019.  
 (-) the decrease in yield stemmed from technical and geological issues in one of the walls.

### Sale of coal

(-) in Q3 2020, the sales of coal dropped by 4.9% compared to Q3 2019.  
 (-) in 3Qs of 2020, the sales of commercial coal amounted to 5,700,000 tonnes, i.e. they were smaller by 19.3% than in the same period of 2019.  
 (+) higher price of coal sold.

### Inventories

(-) at the end of Q3 2020, the level of coal inventories amounted to 17,000 tonnes, which means a decrease by 162,000 tonnes compared to the level as at 31 December 2019.  
 (-) the level of coal inventories presented at the end of the Q3 2020 almost corresponds to one day of commercial coal production (on the basis of average daily production for nine months).  
 (+) the achieved level of inventories of coal is a result of lower coal production and realised coal sales.

### Structure of commercial coal production

(-) in Q3 2020 the share of fine coal in total commercial coal production dropped slightly.  
 (+) in Q3 2020 increase in the share of pea coal in the production structure – higher sales to domestic and foreign customers (coal reached 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]	Q3 2019	Q3 2020	Change	Change %	Q1-Q3 2019	Q1-Q3 2020	Change	Change %
Sale of coal	518,050	493,996	-24,054	-4.6%	1,590,019	1,320,231	-269,788	-17.0%
Other activities	6,004	7,195	1,191	19.8%	22,269	23,931	1,662	7.5%
Sale of goods and materials	3,722	3,331	-391	-10.5%	13,824	9,371	-4,453	-32.2%
<b>Total</b>	<b>527,776</b>	<b>504,522</b>	<b>-23,254</b>	<b>-4.4%</b>	<b>1,626,112</b>	<b>1,353,533</b>	<b>-272,579</b>	<b>-16.8%</b>

### Structure of revenue

[%]	Q3 2019	Q3 2020	Q1-Q3 2019	Q1-Q3 2020
Sale of coal	98.2%	97.9%	97.8%	97.5%
Other activities	1.1%	1.4%	1.4%	1.8%
Sale of goods and materials	0.7%	0.7%	0.8%	0.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

### Geographical structure of revenue

[PLN '000]	Q3 2019	Structure	Q3 2020	Structure	Q1-Q3 2019	Structure	Q1-Q3 2020	Structure
Domestic sales	527,776	100.0%	504,522	100.0%	1,626,075	100.0%	1,353,533	100.0%
Foreign sales	-	0.0%	-	-	37	0.00%	-	-
<b>Total</b>	<b>527,776</b>	<b>100.0%</b>	<b>504,522</b>	<b>100.0%</b>	<b>1,626,112</b>	<b>100.0%</b>	<b>1,353,533</b>	<b>100.0%</b>

### Geographical structure of revenue

The activities of the Group are primarily concentrated in Poland. In three quarters of 2020 sales of coal abroad (Ukraine) was performed through a coal agent. In three quarters of 2019 the share of exports in the total revenue was 0.003% (PLN 37,000).

### Revenue on sales of coal

(-) in Q3 2020, the Group generated revenue in the amount of PLN 493,996,000, which represents a drop by 4.6% compared to Q3 2019.

(-) in 3Qs 2020 revenue on sales of coal was PLN 1,320,231,000 compared to PLN 1,590,019,000 in the analogous period of 2019, which means a decrease in revenue by 17.0% y/y.

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

### Revenue on other operations

In Q3 2020 revenue on other operations (which includes revenue of subsidiaries) were PLN 7,195,000 (1.4% of total revenue), compared to PLN 6,004,000 (1.1% of revenue) in the analogous period of 2019 (up by 19.8% 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 three quarters of 2020 revenue on other operations was PLN 23,931,000 compared to PLN 22,269,000 for the previous year. The increase in revenue in this group is related to higher revenue on coal transport under own licence.

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 96% of coal sales (in terms of value) in three quarters of 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 2019 the share of the above customers was similar.

Key customers by share in revenue:

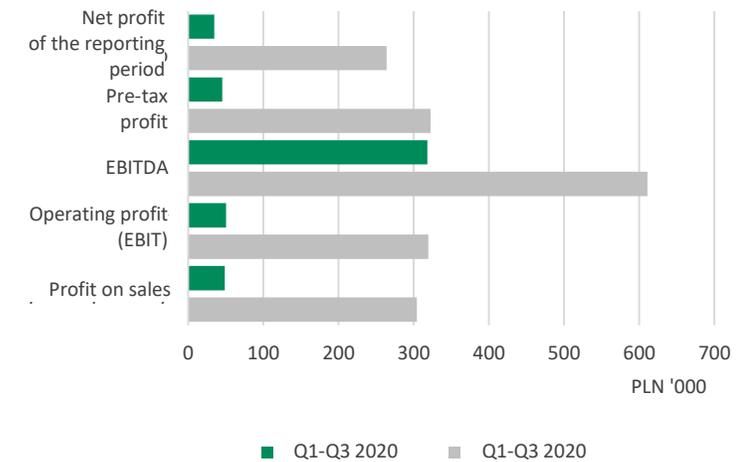
- Enea Wytwarzanie Sp. z o.o. – Enea Group – approx. 72% of share in the revenue
- Enea Elektrownia Połaniec S.A. – Enea Group – approx. 13% share in the revenue



## Financial highlights of the LW Bogdanka Group

### Analysis of the consolidated income statement

[PLN '000]	Q3 2019	Q3 2020	Change	Q1-Q3 2019	Q1-Q3 2020	Change
Revenue	527,776	504,522	-4.4%	1,626,112	1,353,533	-16.8%
Costs of products, goods and materials sold, selling costs and administrative expenses	447,564	504,599	12.7%	1,321,771	1,304,606	-1.3%
<b>Profit/(loss) on sales</b>	<b>80,212</b>	<b>-77</b>	<b>-</b>	<b>304,341</b>	<b>48,927</b>	<b>-83.9%</b>
Gross sales margin	15.2%	-0.0%	-15.2 p.p.	18.7%	3.6%	-15.1 p.p.
Other income	756	1,004	32.8%	3,286	3,113	-5.3%
Other costs	237	246	3.8%	713	1,362	91.0%
<b>Net operating profit</b>	<b>80,731</b>	<b>681</b>	<b>-99.2%</b>	<b>306,914</b>	<b>50,678</b>	<b>-83.5%</b>
Other profits/(losses) – net	-2,859	161	-	12,765	64	-99.5%
<b>Operating profit (EBIT)</b>	<b>77,872</b>	<b>842</b>	<b>-98.9%</b>	<b>319,679</b>	<b>50,742</b>	<b>-84.1%</b>
EBIT margin	14.8%	0.2%	-14.6 p.p.	19.7%	3.7%	-16.0 p.p.
<b>EBITDA</b>	<b>176,927</b>	<b>96,540</b>	<b>-45.4%</b>	<b>611,346</b>	<b>317,648</b>	<b>-48.0%</b>
EBITDA margin	33.5%	19.1%	-14.4 p.p.	37.6%	23.5%	-14.1 p.p.
Finance income	2,507	104	-95.9%	10,806	2,564	-76.3%
Finance costs	940	2,369	152.0%	7,969	7,719	-3.1%
<b>Profit/(loss) before taxation</b>	<b>79,439</b>	<b>-1,423</b>	<b>-</b>	<b>322,516</b>	<b>45,587</b>	<b>-85.9%</b>
Pre-tax profit margin	15.1%	-0.3%	-15.4 p.p.	19.8%	3.4%	-16.4 p.p.
Income tax	13,408	407	-97.0%	58,562	10,748	-81.6%
<b>Net profit/(loss) for the financial year</b>	<b>66,031</b>	<b>-1,830</b>	<b>-</b>	<b>263,954</b>	<b>34,839</b>	<b>-86.8%</b>
Net sales margin	12.5%	-0.4%	-12.9 p.p.	16.2%	2.6%	-13.6 p.p.





## Financial highlights LW Bogdanka Group

### Revenue

The value of revenue for Q3 2020 went down by 4.4% compared to the same period of the previous year and amounted to PLN 504,522,000. During three quarters of 2020 the LW Bogdanka Group generated revenue at a level of PLN 1,353,533,000 compared to PLN 1,626,112,000 in the same period of 2019 (decrease by 16.8%).

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

In Q3 2020 costs of products, goods and materials sold plus selling costs and administrative expenses amounted to PLN 504,599,000, i.e. they went up by 57,035,000 compared to the same period of the previous year (PLN 447,564,000). During three quarters of 2020 costs of products, goods and materials sold, selling costs and administrative expenses went down from PLN 1,321,771,000 to PLN 1,304,606,000.

### Profit/(loss) on sales

In Q3 2020 loss on sales amounted to PLN 77,000,000, while in the same period of 2019 profit on sales was recorded and amounted to PLN 80,212,000. In three quarters of 2020 the Group generated profit on sales in the amount of PLN 48,927,000, versus PLN 304,341,000 in the same period of 2019.

### Other income

In Q3 2020 other income amounted to PLN 1,004,000 compared to PLN 756,000 a year before. In three quarters of 2020 other income amounted to PLN 3,113,000 compared to PLN 3,286,000 a year before. Dominant positions in both periods were the returned excise tax and damages received.

### Other costs

Other costs in 3Qs 2020 amounted to PLN 1,362,000 while in the same period of 2019 the figure was PLN 713,000 – a dominant item in both periods were damages paid and donations granted.

### Other profits/(losses) – net

Other net profits in Q3 2020 amounted to PLN 161,000 compared to the loss of PLN 2,859,000 in Q3 2019. Other net profits in 3Qs 2020 amounted to PLN 64,000 compared to the profit of PLN 12,765,000 in the same period of 2019 (in 2019 the provision for disputable claim of the Social Security Institution (ZUS) was released).

### EBIT

Operating result in Q3 2020 amounted to PLN 842,000. EBIT margin in Q3 2020 was 0.2%, i.e. it was lower by 14.6 p.p. than in the third quarter of the previous year. EBIT margin for three quarters of 2020 was lower by 16.0 p.p. compared to 3Qs 2019, and accounted for 3.7%.

### EBITDA

EBITDA in the third quarter of 2020 went down by 45.4% compared to Q3 2019 and amounted to PLN 96,540,000. EBITDA margin in the third quarter of 2020 equalled 19.1%, which shows a decrease compared to the same period of 2019. EBITDA for 3Qs 2020 amounted to PLN 317,648,000, as compared to PLN 611,346,000 in the same period of 2019.

In 3Qs 2020 the Group achieved an EBITDA margin of 23.5%, i.e. 14.1 p.p. less year on year compared to 2019 (EBITDA amount dropped by 48.0% in the analysed period).

### Finance income

Finance income in Q3 2020 amounted to PLN 104,000 (-95.9% y/y). For three quarters of 2020 finance income was PLN 2,564,000 (-76.3% y/y). The difference in the finance income levels y/y results from the recognition, in Q1 2019, of a release of provision for a ZUS claim in the part concerning interest (PLN 6,260,000).

### Finance costs

In the third quarter of 2020 finance costs amounted to PLN 2,369,000 and were higher by 152.0% than the costs in the same period of 2019. Finance cost for 3Qs 2020 amounted to PLN 7,719,000 compared to PLN 7,969,000 in the same period of 2019 (decrease in interest costs from the valuation of employee benefits and a lower value of interest on the provision on real property tax). As at 30 September 2020 total debt of the Group amounted to PLN 11,775,000, compared to PLN 14,076,000 as at 31 December 2019 and concerned one of the subsidiaries.

### Profit/(loss) before taxation

In Q3 2020 the Group recorded pre-tax loss of PLN 1,423,000 compared to the profit of PLN 79,432,000 in Q3 2019. Profit/(loss) before taxation after three quarters of 2020 amounted to PLN 45,587,000 compared to PLN 322,516,000 in the analogous period of 2019.

### Net profit/(loss) for the reporting period

In Q3 2020 the Group recorded net loss of PLN 1,830,000 compared to PLN 66,031,000 in Q3 2019. The net profit of the Group for three quarters of 2020 was PLN 34,839,000 compared to PLN 263,954,000 in the analogous period of the previous financial year.





### Balance sheet of the LW Bogdanka Group

Balance sheet [PLN '000]	31 Dec. 2019	30 Sep. 2020	Change
Total assets	4,252,464	4,373,064	2.8%
Return on Assets (ROA)*	7.5%	1.8%	-5.7 p.p.
Non-current assets	3,509,780	3,727,441	6.2%
Current assets	742,684	645,623	-13.1%
Equity	3,228,502	3,261,190	1.0%
Return on Equity (ROE)*	10.0%	2.5%	-7.5 p.p.
Provisions and liabilities	1,023,962	1,111,874	8.6%

\* the calculations include net result for the last four quarters and an average level of assets and equity (as at 30 September 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 September 2020 compared to the value as at 31 December 2019 went up by PLN 120,600,000 and amounted to PLN 4,373,064,000, with non-current assets going up by PLN 217,661,000 and current assets going down by PLN 97,061,000. 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 6.9%. As far as current assets are concerned the most important change is a drop in value of cash and equivalents by 11.8%. As at 30 September 2020 the ROA figure was 1.8%, while as at the end of 2019 it was 7.5%.

### Equity and liabilities

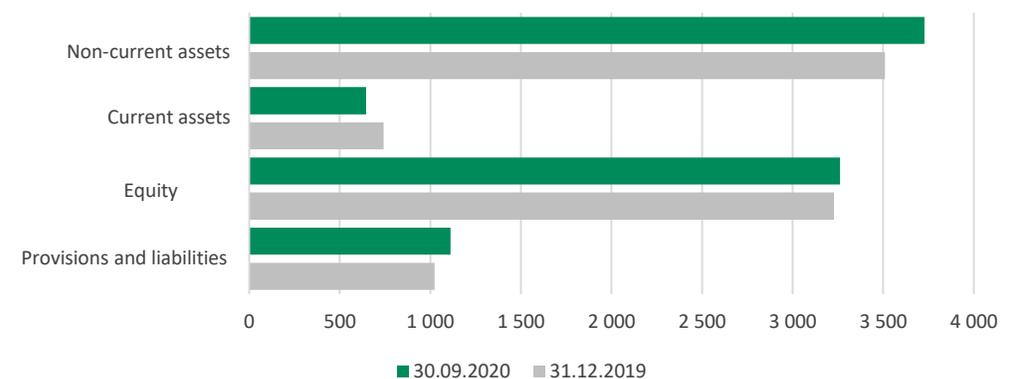
The equity went up by 1.0%. It was solely an effect of the comprehensive income generated for three quarters of 2020.

Provisions and liabilities went up by 8.6% compared to the value as at 31 December 2019, with current liabilities going up by 16.1% (main increase in trade liabilities), while non-current liabilities went up by 4.3% (including mainly liabilities on account of the employee benefits and provisions for other liabilities and charges).

At 30 September 2020 a decrease in return on equity was recorded (by 7.5 p.p.) compared to the end of 2019.

The value of the ratio as at 30 September 2020 was 2.5% compared to 10.0% as at 31 December 2019.

Analysis of the consolidated statement of financial position



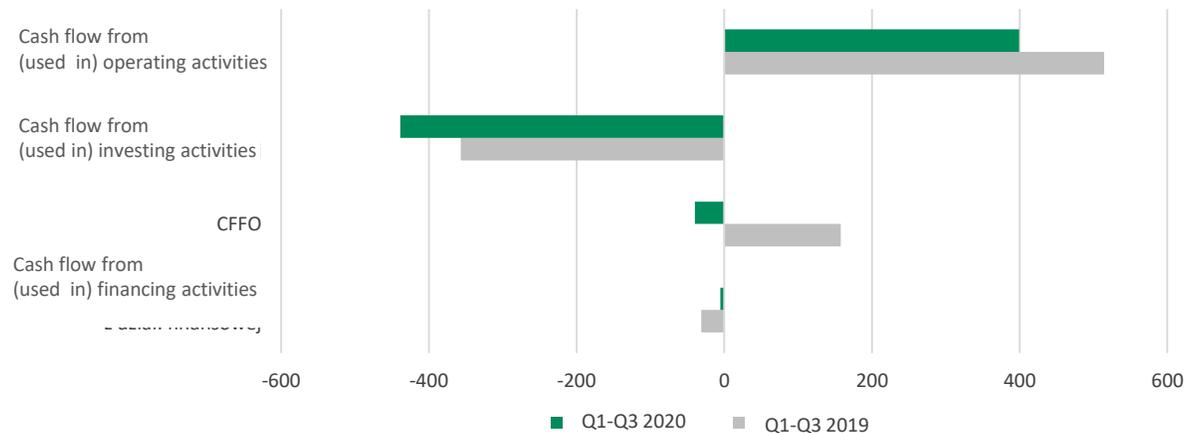


## Cash flow of the LW Bogdanka Group

### Cash flow

[PLN '000]	Q3 2019	Q3 2020	Change	Q1-Q3 2019	Q1-Q3 2020	Change
Cash flow from (used in) operating activities	180,938	179,024	-1.1%	514,474	399,155	-22.4%
Cash flow from (used in) investing activities	-118,864	-103,887	-12.6%	-356,766	-438,793	23.0%
<b>CFFO*</b>	<b>62,074</b>	<b>75,137</b>	<b>21.0%</b>	<b>157,708</b>	<b>-39,638</b>	-
Cash flow from (used in) financing activities	-27,092	-1,865	-93.1%	-31,051	-5,446	-82.5%

\*total cash flow from operating and investing activity



In the third quarter of 2020 the Group generated net cash flow from operating activities lower by 1.1% than in the third quarter of 2019 – in 2020 it amounted to PLN 179,024,000 compared to PLN 180,938,000 a year before.

During three quarters of 2020 the LW Bogdanka Group generated cash flow from operating activities of PLN 399,155,000 (-22.4% y/y, that is by PLN 115,319,000). Drop in the value of net cash flow from operating activities was caused mainly by decreased profit before taxation. The pre-tax profit/loss in the analyzed period of 2020 amounted to PLN 45,587,000, and in the same period of 2019 the figure was PLN 322,516,000, which represents a year-to-year change of PLN 276,929,000.

Cash flow from investing activities decreased its value (in absolute values) in Q3 2020 by 12.6% (to PLN -103,887,000) relative to the analogous period of 2019. In three quarters of 2020 cash flow from investing activity was higher (in absolute values) by 23.0% from cash flow from the analogous period last year. The increase primarily results from a purchase of a new wall complex which was paid for in great portion in Q1 this year.

In Q3 2020, the Group recorded negative cash flow from financing activities of PLN 1,865,000 (loans of PLN 759,000 was repaid, interest of PLN 129,000 was paid, and liabilities under financial lease agreements of PLN 977,000 were paid). In three quarters of 2020, the Group recorded negative cash flow from financing activities of PLN 5,446,000 (loans of PLN 2,277,000 were repaid, interest of PLN 410,000 was paid, and liabilities under financial lease agreements of PLN 2,759,000 were paid).





## Debt and liquidity ratios of the 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 Sep. 2020	Change
Overall debt ratio	24.1%	25.4%	1.3 p.p.
Ratio (debt* plus employee liabilities)/EBITDA	0.27	0.46	70.4%
Ratio net debt*/EBITDA	-0.48	-0.69	43.8%
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%	100.5%	-5.1 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 Sep. 2020	Change
Current liquidity ratio	2.13	1.57	-26.3%
Quick liquidity ratio	1.83	1.38	-24.6%

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

### Overall debt ratio

The overall debt ratio as at 30 September 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 liabilities and provisions for other liabilities and charges.

The level of the Group's debts as at 30 September 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 Q3 2020 increased by 70.4% to 0.46. When comparing data as at 30 September 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 net debt (i.e. the total interest-bearing current and non-current liabilities less cash and equivalents) to EBITDA fell in terms of absolute value from -0.48 as at 31 December 2019 to -0.69 as at 30 September 2020. The value of net debt dropped by ca. PLN 43 million and amounted to PLN -326 million with EBITDA going down by ca. PLN 294 million (EBITDA cumulatively for the last four quarters).

### Debt to equity ratio

Debt to equity ratio as at 30 September 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 33 million.

### Fixed capital to non-current assets ratio

The fixed capital to non-current assets ratio was 100.5% (as at 30 September 2020) compared to 105.6% (as at 31 December 2019) – in the analysed period the value of non-current assets increased by approx. PLN 218 million and fixed capitals (equity plus non-current liabilities less provisions), by approx. PLN 38 million.



## Turnover ratios at the LW Bogdanka Group

### Turnover ratios

[PLN '000]		31 Dec. 2019	30 Sep. 2020	Change
1. Inventory turnover	$\frac{\text{average inventories}}{\text{costs of goods, products and materials sold}} \times \text{days in the period}$	21	21	0.0%
2. Debtors collection rate*	$\frac{\text{average receivables}}{\text{revenue}} \times \text{days in the period}$	37	46	24.3%
3. Creditors payment rate**	$\frac{\text{average liabilities}}{\text{costs of goods, products and materials sold}} \times \text{days in the period}$	71	79	11.3%
4. Operating cycle	1+2	58	67	15.5%
5. Cash conversion cycle	4-3	-13	-12	-7.7%

\* Trade and other receivables

\*\* Trade and other liabilities

### Inventory turnover

The inventory turnover as at 30 September 2020 did not alter compared to 31 December 2019 and amounts to 21 days. Liquidating inventories takes up, on average, 21 days.

### Debtors collection rate

The debtors collection rate (calculated on the basis of the balance-sheet item "Trade and other receivables") was 46 days (as at 30 September 2020), compared to 37 days (as at 31 December 2019). In the period under analysis, average receivables dropped by approx. PLN 8.7 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 8 days to 79 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 23 million).

### Operating cycle

The operating cycle for current assets (a sum of inventory turnover and debtors collection rate) in the analysed period lengthened by 9 days to 67 days. On average after 67 days, the Group's current assets are converted into cash.

### Cash conversion cycle

The consequence of the above trends, the cash conversion cycle as at 30 September 2020 was 12 days. The negative value of the cash conversion cycle means that the Group uses trade credit (financing with the non-interest-bearing borrowed capital).



## Provisions of the LW Bogdanka Group

Balance-sheet provisions [PLN '000]	As at 30 Sep. 2019	As at 31 Dec. 2019	As at 30 Sep. 2020	Change Q1-Q3 2020 / 31 Dec. 2019	Change Q1-Q3 2020 / Q1-Q3 2019
Employee provisions	174,616	191,965	207,307	8.0%	18.7%
Provision for real property tax	19,250	10,306	10,761	4.4%	-44.1%
Provision for the mine closure costs and land reclamation	138,791	171,635	193,689	12.8%	39.6%
Mining damage	2,498	2,149	1,243	-42.2%	-50.2%
Other	12,420	12,237	12,326	0.7%	-0.8%
<b>Total</b>	<b>347,575</b>	<b>388,292</b>	<b>425,326</b>	<b>9.5%</b>	<b>22.4%</b>

The total provisions as at 30 September 2020 amounted to PLN 425,326,000, which means an increase by 9.5% compared to the value as at 31 December 2019.

Changes in provisions [PLN '000]	Change Q3 2019	Change Q3 2020	Change Q3 2020 / Q3 2019	Change in Q1-Q3 2019	Change in Q1-Q3 2020	Change in Q1-Q3 2020 / Q1-Q3 2019
Employee provisions	794	-3,670	-562.2%	9,460	15,342	62.2%
Provision for real property tax	-26,797	153	-100.6%	-22,181	455	-102.1%
Provision for the mine closure costs and land reclamation	379	-694	-283.1%	14,584	22,054	51.2%
Mining damage	-458	-783	71.0%	-686	-906	32.1%
Provision for Social Insurance Institution (ZUS) claim for accident contributions	-	-	-	-22,658	-	-
Other	266	-1,009	-479.3%	537	89	-83.4%
<b>Total</b>	<b>-25,816</b>	<b>-6,003</b>	<b>-76.7%</b>	<b>-20,944</b>	<b>37,034</b>	<b>-276.8%</b>

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

[PLN '000]	Change in provisions in Q1-Q3 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	15,342	31,797	2,399	-	2,656	-21,510
Provision for real property tax	455	-	455	-	-	-
Provision for the mine closure costs and land reclamation	22,054	2,501	2,628	16,925	-	-
Mining damage	-906	-	-	-	-	-906
Other	89	111	194	-	-	-216
<b>Total</b>	<b>37,034</b>	<b>34,409</b>	<b>5,676</b>	<b>16,925</b>	<b>2,656</b>	<b>-22,632</b>

[PLN '000]	Change in provisions in Q3 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	-3,670	68	721	-	-	-4,459
Provision for real property tax	153	-	153	-	-	-
Provision for the mine closure costs and land reclamation	-694	822	876	-2,392	-	-
Mining damage	-783	-	-	-	-	-783
Other	-1,009	-1,151	60	-	-	82
<b>Total</b>	<b>-6,003</b>	<b>-261</b>	<b>1,810</b>	<b>-2,392</b>	<b>-</b>	<b>-5,160</b>



## Costs in LW Bogdanka S.A.

## Costs by type

[PLN '000]	Q3 2019	Q3 2020	Change	Q1-Q3 2019	Q1-Q3 2020	Change
Net production ['000 tonnes]	2,302	1,841	-20.0%	7,127	5,538	-22.3%
Sales ['000 tonnes]	2,291	2,178	-4.9%	7,061	5,700	-19.3%
Depreciation/amortisation	96,627	92,778	-4.0%	284,438	259,581	-8.7%
Materials and energy consumption	135,355	123,872	-8.5%	380,524	366,973	-3.6%
Outsourced services	135,185	121,148	-10.4%	391,629	339,102	-13.4%
Employee benefits	153,386	139,968	-8.7%	417,336	422,176	1.2%
Entertainment and advertising costs	3,221	2,643	-17.9%	6,427	6,460	0.5%
Taxes, fees and charges	20,079	12,501	-37.7%	41,226	35,432	-14.1%
Other costs	690	561	-18.7%	2,261	1,788	-20.9%
<b>Total costs by type</b>	<b>544,543</b>	<b>493,471</b>	<b>-9.4%</b>	<b>1,523,841</b>	<b>1,431,512</b>	<b>-6.1%</b>
Cost of own work	-99,362	-70,933	-28.6%	-225,383	-219,513	-2.6%
Accruals and deferrals	20,072	34,016	69.5%	66,584	77,245	16.0%
Value of coal obtained from excavations	-18,890	-16,075	-14.9%	-65,883	-40,710	-38.2%
Provisions and other presentation adjustments between costs by type and by function	50	-7,005	-	22,731	21,248	-6.5%
<b>Total production cost</b>	<b>446,413</b>	<b>433,474</b>	<b>-2.9%</b>	<b>1,321,890</b>	<b>1,269,782</b>	<b>-3.9%</b>
Change in products	-2,013	67,821	-	-10,441	27,760	-
Costs of goods and materials sold	3,704	3,316	-10.5%	13,771	9,332	-32.2%
<b>Own cost of sales, including:</b>	<b>448,104</b>	<b>504,611</b>	<b>12.6%</b>	<b>1,325,220</b>	<b>1,306,874</b>	<b>-1.4%</b>
Costs of products, goods and materials sold	404,669	466,360	15.2%	1,213,518	1,191,287	-1.8%
Selling costs	10,351	9,482	-8.4%	28,286	24,458	-13.5%
Administrative expenses	33,084	28,769	-13.0%	83,416	91,129	9.2%

## Q3 2020

In Q3 2020, LW Bogdanka S.A. incurred costs by type in the amount of PLN 493,471,000 (PLN -51,072,000 y/y), i.e. by 9.4% lower than in Q3 2019. The decrease in costs noted in Q3 2020 was largely influenced by lower value of outsourced services, employee benefits, taxes and charges, and costs of consumption of materials.

The value of depreciation and amortisation went down by 4.0% (to PLN 92,778,000) – the value of natural depreciation fell (approx. PLN 1.2 million) and so did depreciation of non-current assets (approx. PLN 3.2 million). The drop in natural depreciation is a consequence of a lower, by 504,000 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 10.4% compared to the Q3 2019, and totalled PLN 121,148,000. In the period under analysis the drops were recorded mainly in the value of mining and drilling services (PLN -13.8 million), waste management (PLN -1.0 million) and railway transport of coal (PLN -1.1 million).

Materials and energy consumption dropped in the period under analysis by 8.5%. A drop was recorded in the consumption of materials (PLN -17.2 million), however due to an increase in the electricity prices its cost went up (PLN +6.2 million).

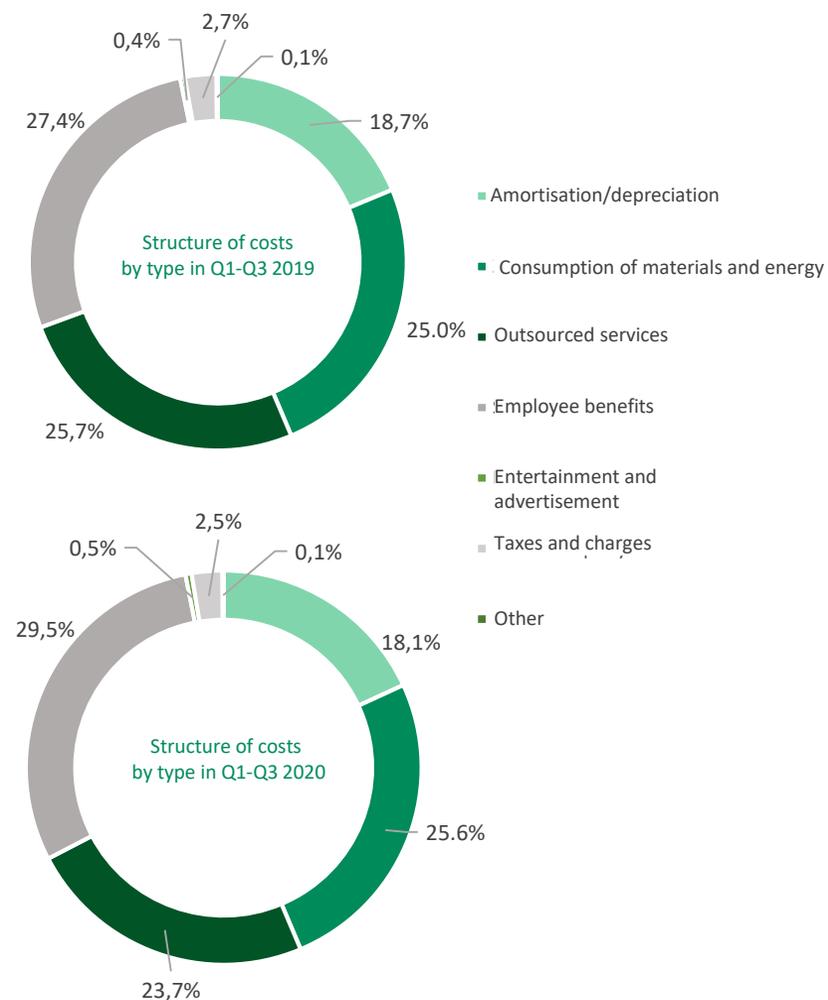
In Q3 2020, compared to Q3 2019, the value of employee benefits decreased by PLN 13.4 million. The decrease was influenced by an increase in the number of employees collecting benefits introduced by Anti-Crisis Shield relief package in relation to the ongoing pandemic, lower level of bonuses, as well as the decision not to make a write-off to the Company Social Benefit Fund in Q3 2020. Average employment in LW Bogdanka S.A. increased by approx. 81 people.

The decrease in taxes and charges by approx. PLN 7.6 million is primarily attributable to a decrease in real property tax (PLN -6.7 million) being mainly a result of corrected tax returns filed in Q3 2019 which include workings' gallery lining and equipment in the tax base, as well as a lower service charge (PLN -1.0 million).



### Costs in LW Bogdanka S.A.

#### Costs by type



#### Q1-Q3 2020

In 3Qs 2020 LW Bogdanka S.A. incurred costs by type in the amount of PLN 1,431,512,000, i.e. by 6.1% (PLN -92,329,000) 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, costs of materials and energy consumption, and outsourced services costs. The value of depreciation and amortisation went down by 8.7% (to PLN 259,581,000) – 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 2,379,000 tonnes, gross extraction (lower wall progress means a smaller scope of removed longwall galleries, and in consequence – lower natural depreciation).

The total value of costs of materials and energy used fell by 3.6% compared to the 3Qs 2019 and amounted to PLN 366,973,000.

In the period under analysis, over 2 million tonnes less coal was produced, approx. 2.0 km less of excavations were made, which resulted in the drop in the number of used heading casing elements (PLN -7.7 million), preinsulated pipes and stirrups (PLN -4.4 million and PLN -3.3, respectively), moreover, less conveyor tape was used (PLN -4.6 million) and less parts to the ploughing complex were used (PLN -4.4 million). The Group also incurred additional expenses related to coronavirus countermeasures.

Despite a lower use of electricity its price grew by 36.8% y/y, therefore the costs of electricity consumption grew by PLN 17.7 million, which set off the drop in costs of materials.

The value of outsourced services in 3Qs 2020, compared to the same period of 2019, decreased from PLN 391,626,000 to PLN 339,102,000 (-13.4%). In the period under analysis, the highest decreases were recorded in the costs of:

- work on Saturdays and Sundays (PLN -21.6 million),
- drilling and redevelopment of existing excavations (PLN -19.8 million),
- mining waste management (PLN -5.7 million),
- rail coal transport (PLN -3.4 million).

In three quarters of 2020, compared the same period of 2019, the value of employee benefits increased by PLN 4,840,000. In the period under analysis increase was recorded primarily in salaries (PLN +5.8 million) and employee benefits (PLN +1.9 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).

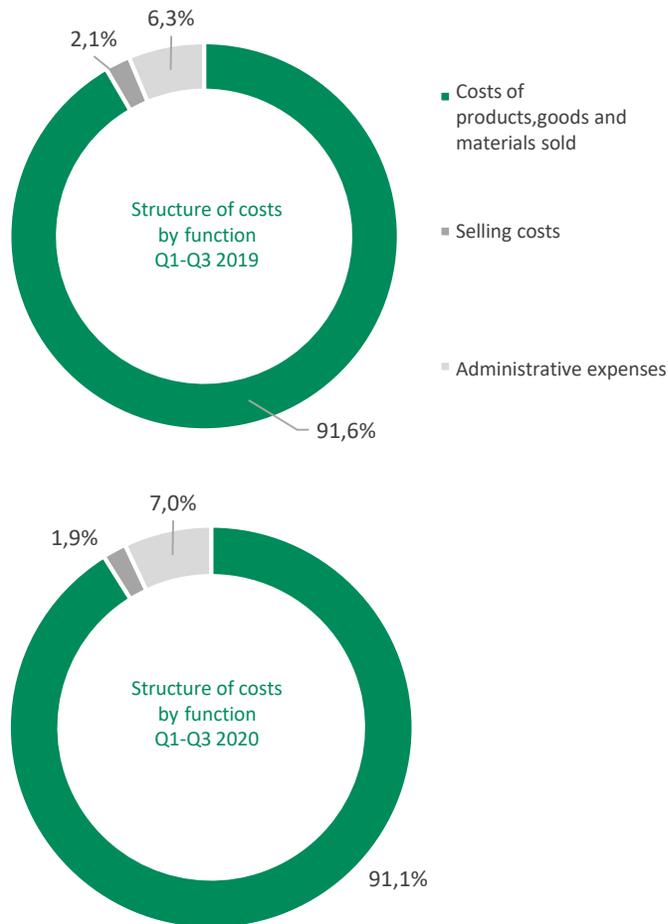
The value of entertainment and advertising costs remained virtually unchanged compared to 2019. Payments were made under the agreement with Górnik Łęczna, as well as other sponsorship agreements, advertising agreements and purchase of advertising materials and gadgets in connection with the new Company image policy.

The value of taxes, fees and charges paid in the analysed period of 2020 went down to PLN 35,432,000 from PLN 41,226,000 in the same period of 2019 – decreases were recorded in the real property tax (in relation to filing tax returns in Q3 2019 which include workings' gallery lining and equipment in the tax base) (PLN -3.1 million), as well as the value of service charge dropped (PLN -3.1 million).



### Costs in LW Bogdanka S.A.

#### Costs by function



#### Costs by function

The cost of own production sold (by function) in Q3 2020 amounted to PLN 504,611,000 while in the analogous period of the previous year, it was PLN 448,104,000.

Own cost of production sold (by function) in 3Qs 2020 was PLN 1,306,874,000 and was lower by 1.4% (PLN -18,346,000) 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]	Q3 2019	Q3 2020	Change	Q1-Q3 2019	Q1-Q3 2020	Change
Costs of products, goods and materials sold	404,669	466,360	15.2%	1,213,518	1,191,287	-1.8%
Selling costs	10,351	9,482	-8.4%	28,286	24,458	-13.5%
Administrative expenses	33,084	28,769	-13.0%	83,416	91,129	9.2%
<b>Own cost of sales</b>	<b>448,104</b>	<b>504,611</b>	<b>12.6%</b>	<b>1,325,220</b>	<b>1,306,874</b>	<b>-1.4%</b>





## Other information with influence on the financial standing of 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 Łęczyska Energetyka), plus cash held, guarantee the financing on an ongoing 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 ongoing

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 and 30 September 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 September 2020 stood at PLN 472,638,000, of which:

- PLN 134,982,000 disclosed in non-current assets,
- PLN 337,656,000 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 337,656,000 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 311,897,000, while the funds accumulated at subsidiaries amount to PLN 25,759,000 (primarily to Łęczyska Energetyka).

### Assessment of factors and untypical events affecting the operating profit

The operating results of the Company for three quarters 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 of 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.

In Q3 2020, apart from the abovementioned factors, there were also geological and mining circumstances which limited the assumed wall progress and

achieved yield levels, such as deforming pressure increment causing limited capacity of longwall workings.

These difficulties, combined with staff shortages stemming from the growing number of COVID-19 infections as well as the obligation to isolate employees who had been in contact with infected persons have resulted in significant limitation of output and the update of production plan to 7.4 million tonnes. It shall, however, be emphasized that the Parent believes these hindrances to be temporary.

In October the Parent received financial support from the Guaranteed Employee Benefits Fund ("GEBF") in order to protect jobs (as part of Anti-Crisis Shield 4.0 relief package) amounting to PLN 33.7 million. Detailed description is contained in Note 4 of the Consolidated Quarterly Report of the Bogdanka Group for nine months ended on 30 September 2020.

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

Detailed description is contained in Note 10 of the Consolidated Quarterly Report of the Bogdanka Group for nine months ended on 30 September 2020.



## Information on financial instruments, bonds

### Information on derivative financial instruments

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

### Bonds

As at 30 September 2020 the Parent did not have active agreement regarding bond issue and had no issued and unredeemed bonds.

### Assessment of the possibilities of investment plans execution

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 financial statements of LW Bogdanka S.A. for three quarters 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 Q3 2020 LW Bogdanka S.A. and its subsidiaries were not parties to proceedings pending before a court, a relevant authority for arbitration proceedings or a public administration authority, concerning:

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



## Agreements concerning loans and borrowings

### Information on loans granted

In Q3 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 Q3 2020, the LW Bogdanka S.A. did not grant (or receive) any sureties.

### Transactions with related entities

In Q3 2020 the Parent and its subsidiaries did not conclude transactions with related entities which would be individually or jointly significant and would be concluded on a basis other than an arm's length basis.

Information about all agreements that are significant from the point of view of the Issuer's operations is published in the form of current reports available at <http://ri.lw.com.pl/raporty-biezace>.

For more information about agreements with the Enea Group and companies controlled by the State Treasury see Note 11 of the Consolidated Quarterly Report of the LW Bogdanka Group for nine months ended on 30 September 2020.

### Guarantees granted by LW Bogdanka S.A.

In Q3 2020, LW Bogdanka S.A. did not provide any guarantees.

### Guarantees received by LW Bogdanka S.A.

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

### Contracted loans

In Q3 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 + fixed bank's margin. The agreement was concluded for 12 months. The repayment is scheduled to take place by 12 May 2021. Until now the loan has not been used.

### Agreements concerning the subsidiaries' loans and borrowings

Łęczyńska Energetyka Sp. z o.o. continues the repayment of the loan (of PLN 26,580,000) granted in accordance with an agreement of 9 June 2014 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. It bears interest of 0.7% of the rediscount rate of bills of exchange set by the Monetary Policy Council, however not less than 4% 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 3Qs 2020.

In Q3 2020 the subsidiaries: EkoTrans Bogdanka Sp. z o.o., RG Bogdanka Sp. z o.o., MR Bogdanka Sp. z o.o., did not grant, incur or terminate agreements regarding credit facilities and loans.





# 4

## Shares and shareholding



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

#### Share capital structure

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

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

The total number of votes resulting from all of the issued shares of the Issuer corresponds to the number of shares and equals 34,013,590 votes. The Company has a strategic majority shareholder. The majority shareholder is the Enea Group which holds a majority block of shares which accounts for 66.0% of the shares in LW Bogdanka S.A. (the majority shareholder's block of shares totals 22,448,834 shares, which corresponds to a nominal value of PLN 112,244,170). Other shareholders of the Issuer are mainly institutional investors in the form of pension and investment funds.

#### Treasury shares

In Q3 2020 LW Bogdanka S.A. and its subsidiaries did not acquire any treasury shares of the Company.

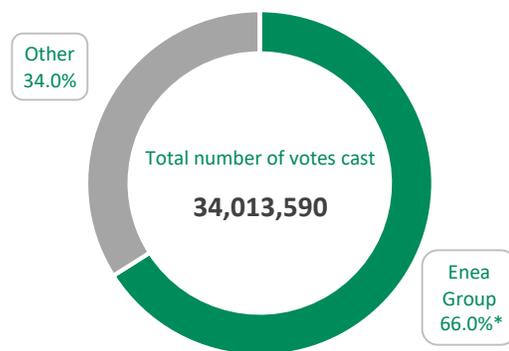
#### Changes in the shareholding structure by the date of the Report

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 Interim Report for H1 2020.

#### Shareholding structure

The graph below shows a shareholding structure of the Company as at 25 November 2020.

Shareholding of LW Bogdanka S.A. as at 25 November 2020



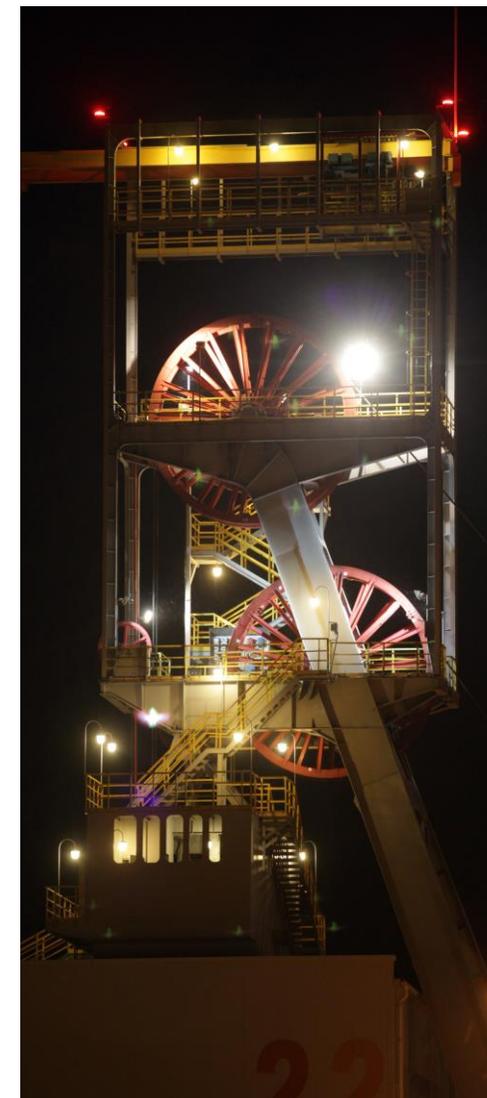
\* Enea S.A. holds 64.6% of votes, and jointly with its subsidiary, Enea Wytwarzanie, it holds 66.0% of votes.

#### Participation of the LW Bogdanka's shares in indices

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

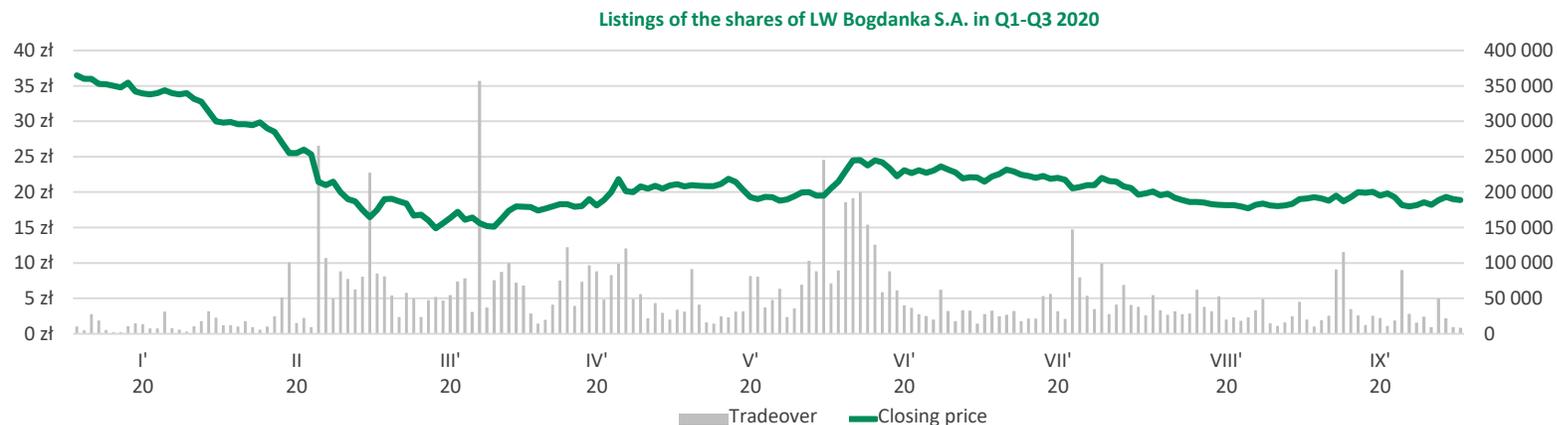
- WIG – includes all companies listed on the WSE Main Market that meet the baseline criteria of the participation in indices.
- mWIG40 – includes 40 medium-sized companies listed on the WSE Main Market. The Company has been present in this index since 18 December 2015.
- WIG Górnictwo – includes companies 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.

WIG 40	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



## Analysts' recommendations

Key share indicators:	Q1-Q3 2019	Q1-Q3 2020	Date of Issue	Institution Recommendation	Target price	Price on the date of issue
Maximum price [PLN]	56.50	36.50	18 February	IPOPEMA Securities	PLN 19.05	PLN 25.35
Minimum price [PLN]	32.30	14.90	19 February	Santander	PLN 25.00	PLN 21.45
Last price [PLN]	36.00	18.86	24 February	Erste	PLN 18.80	PLN 20.00
Average price [PLN]	42.78	21.87	17 April	Santander	PLN 14.00	PLN 20.00
Capitalisation at end of period [PLN million]	1,224.49	641.50	28 April	BOŚ	PLN 35.00	PLN 20.50
Book value [PLN million]	3,187.92	3,236.73	30 April	Noble Securities	PLN 18.30	PLN 21.10
Price/earnings ratio	4.64	20.04	22 May	PKO Securities	PLN 19.80	PLN 18.98
Price/book value	0.38	0.20				
Average turnover per session [PLN '000]	866.7	1,010.8				
Average volume per session	20,462	49,349				
Number of shares in float [no. of shares]	34,013,590	34,013,590				

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



## Shareholding structure

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

#### Shares in related entities of the Company

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

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

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.

<b>MANAGEMENT BOARD</b>					
Name and surname	The number of the Company shares as of 25 November 2020	Par value of the shares (PLN)	Number of the Company's shares as at 2 September 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
<b>SUPERVISORY BOARD</b>					
Name and surname	The number of the Company shares as of 25 November 2020	Par value of the shares (PLN)	Number of the Company's shares as at 2 September 2020	Par value of the shares (PLN)	Number of shares in subsidiary companies
Anna Chudek	0	0	0	0	0
Iwona Golden	0	0	-	-	0
Szymon Jankowski	0	0	0	0	0
Dariusz Batyra	1,000	5,000	1,000	5,000	0
Krzysztof Gigol	0	0	0	0	0
Marcin Jakubaszek	0	0	-	-	0
Bartosz Rożnawski	0	0	0	0	0
Michał Stopyra	0	0	0	0	0
Grzegorz Wróbel	0	0	-	-	0
<b>TOTAL</b>	<b>The number of the Company shares as of 25 November 2020</b>	<b>Par value of the shares (PLN)</b>	<b>Number of the Company's shares as at 2 September 2020</b>	<b>Par value of the shares (PLN)</b>	<b>Number of shares in subsidiary companies</b>
	1,253	6,265	1,253	6,265	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 25 November 2020

	<p><b>Artur Wasil</b> 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><b>Artur Wasilewski</b> 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 &amp; 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><b>Adam Partyka</b> 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><b>Dariusz Dumkiewicz</b> 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 25 November 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:

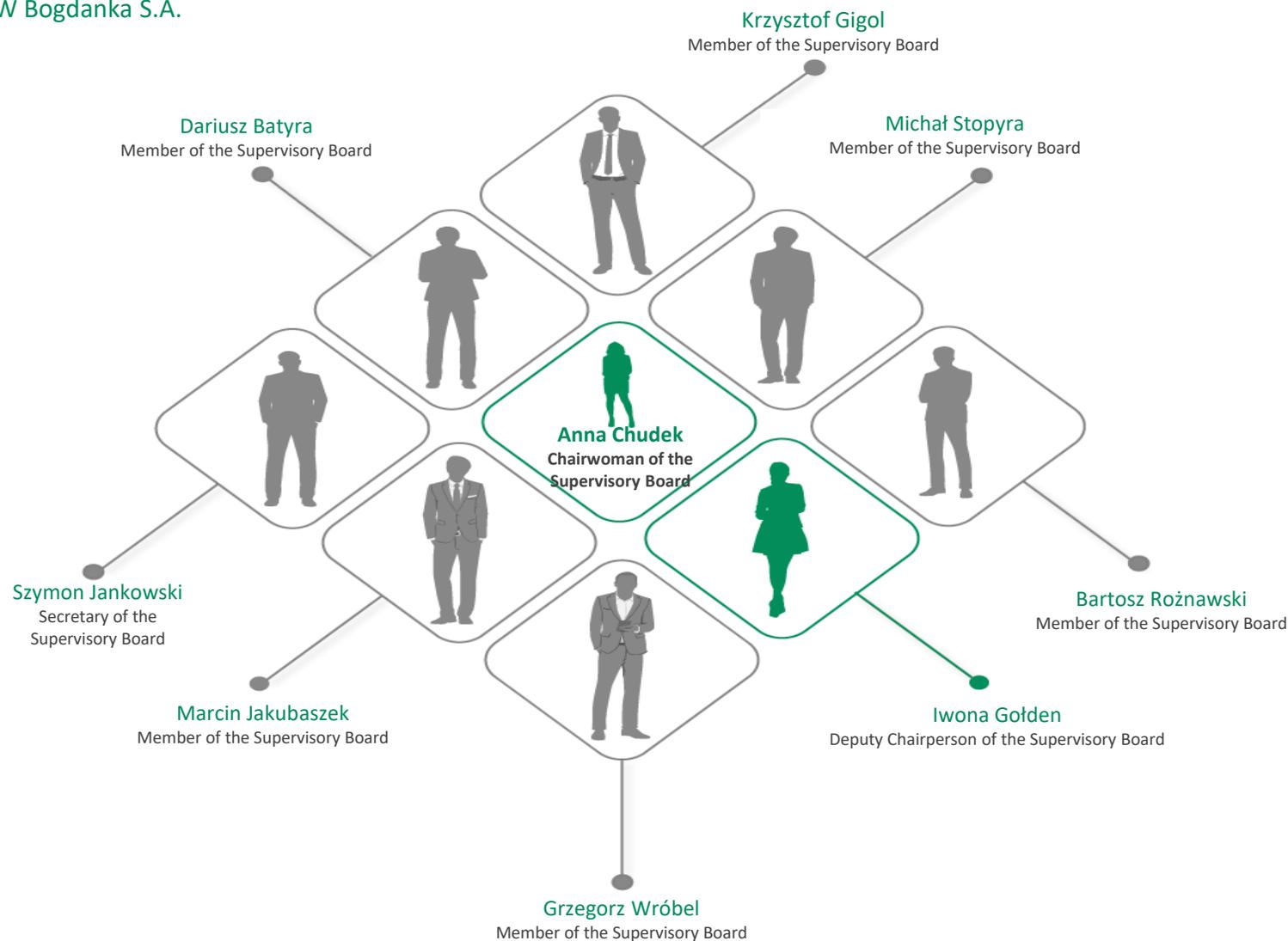
- Ms Izabela Antczak-Bogajczyk
- Mr Dariusz Batyra
- Ms Anna Chudek
- Mr Szymon Jankowski
- Mr Bartosz Rożnawski
- Mr Michał Stopyra

On 27 August 2020 the Extraordinary General Shareholders Meeting of LW Bogdanka S.A. appointed Mr Krzysztof Gigol and Mr Marcin Jakubaszek as members of the Supervisory Board.

On 1 October 2020 Mr Grzegorz Wróbel has been appointed by the Minister of State Assets.

Ms Izabela Antczak-Bogajczyk resigned from holding a position of member of the Supervisory Board on 25 October 2020.

On 27 October 2020 the Extraordinary General Shareholders Meeting of LW Bogdanka S.A. appointed Ms Iwona Gołden as member of the Supervisory Board.





## Composition of the Company's Supervisory Board as at 25 November 2020

### Anna Chudek

She graduated in Law at 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 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 Chudek 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, Ms Chudek 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.

### Iwona Gołden

She is a graduate of The Poznań University of Economics and Business. She received her Master of Economics degree in 1991. She has been a member of Association of Chartered Certified Accountants (ACCA) since 2001.

She is an experienced manager and boasts many years of experience in finance and auditing. In 1991-1999 she worked in Ernst & Young and PricewaterhouseCoopers auditing companies. In the following years Iwona Gołden held the positions of Financial Controller or Finance Director in companies operating in various areas, such as construction industry and power sector, as well as expanded her professional experience and skill set not only in finance, but also in process and employee management.

She has been part of the ENEA Group since 2018 – first as Controlling Director in ENEA Centrum Sp. z o.o., then, since 2019, as Head of the Controlling Department for the ENEA Group. She was a Member of the Supervisory Board of ENEA Centrum Sp. z o.o. from February 2020 to October 2020.

### 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.

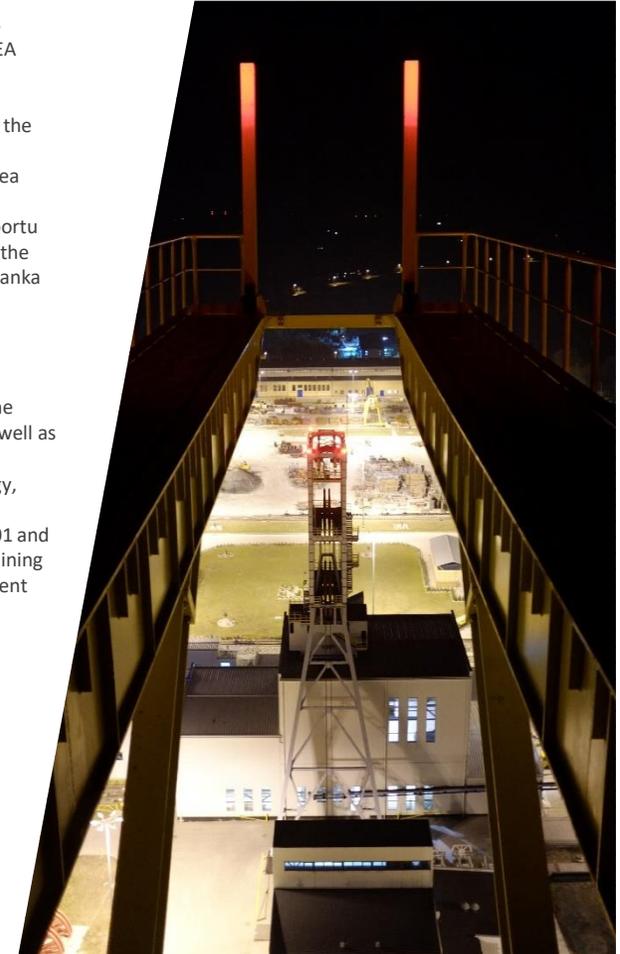
Szymon Jankowski has been present in the professional power sector for more than 25 years.

Since 1999 until now, he has worked in various corporate governance positions within the ENEA Group, recently as Manager of Corporate Governance Division.

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. He has been the Secretary at the Supervisory Board of LW Bogdanka S.A. since February 2016.

### Dariusz Batyła

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 25 November 2020

### Krzysztof Gigol

Krzysztof Gigol 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

He 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, Marcin Kajubaszek 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.

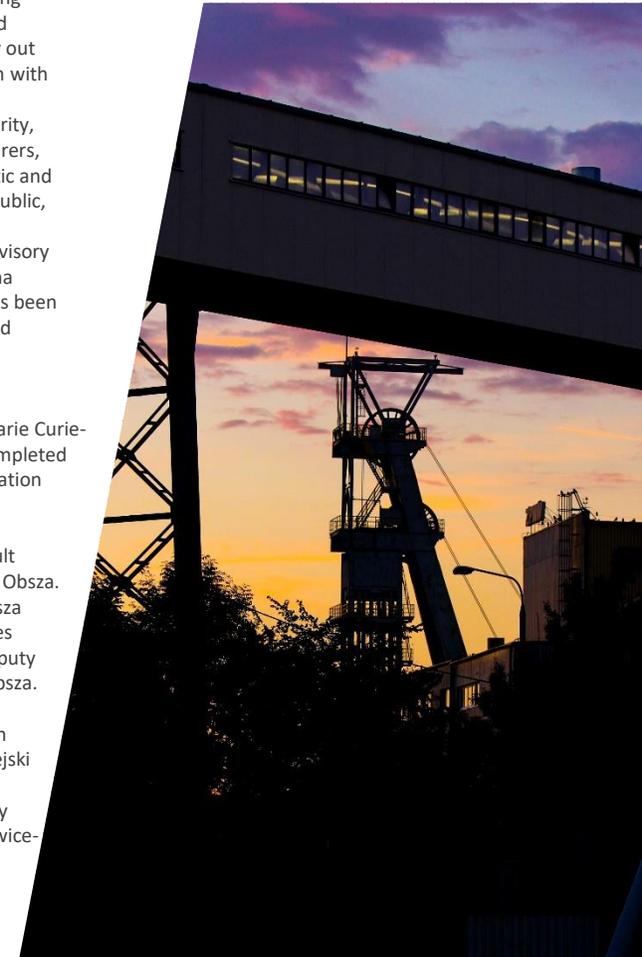
### Michał Stopyra

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 Techniczno Górnicza Spółka Akcyjna TEGONA S.A. in Katowice. From 2013, he has been acting as a member of the Supervisory Board of LW Bogdanka S.A.

### Grzegorz Wróbel

He is a graduate of administration at the Marie Curie-Skłodowska University in Lublin. He also completed the Executive Master of Business Administration post-graduate programme at the Warsaw Management University. His professional experience comes as a result of working in Public Utilities Department in Obsza. Grzegorz Wróbel has been employed in Obsza Commune Office since 2011. There he serves as Obsza Commune Secretary as well as Deputy Registrar of the Office of Vital Records in Obsza. In 2018 he became Councillor of the Lublin Province. Grzegorz Wróbel held the position of Member of the Supervisory Board of Miejski Zakład Komunikacji Sp. z o.o. in Zamość. He is currently a Member of the Supervisory Board of RCEkoenergia Sp. z o.o. in Czechowice-Dziedzice.





## 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



### Signatures of all Members of the Management Board

Artur Wasil

President of the Management Board

Adam Partyka

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

Artur Wasilewski

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

Dariusz Dumkiewicz

Vice-President of the Management Board,  
Development

*Bogdanka, 25 November 2020*



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