

Directors' Report on Operations of the LW Bogdanka Group for Q1 2021





**of 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

18.9%

Share in the thermal coal market

22.7%

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

Gross coal extraction – 3.6 million tonnes

Production of commercial coal – 2.6 million tonnes

Yield – 72.3%

Sale of commercial coal – 2.4 million tonnes

New excavations – 5.3 km

Employment at the LW Bogdanka Group

Headcount at the end of Q1 2021 – 5,763 FTJs

Increase in employment compared to Q1 2020 – 1.4%

Financial data of the LW Bogdanka Group

Revenue on sales – PLN 543.7 million

Profit on sales – PLN 66.3 million

EBIT – PLN 64.5 million

EBITDA – PLN 170.2 million

Net profit – PLN 50.3 million



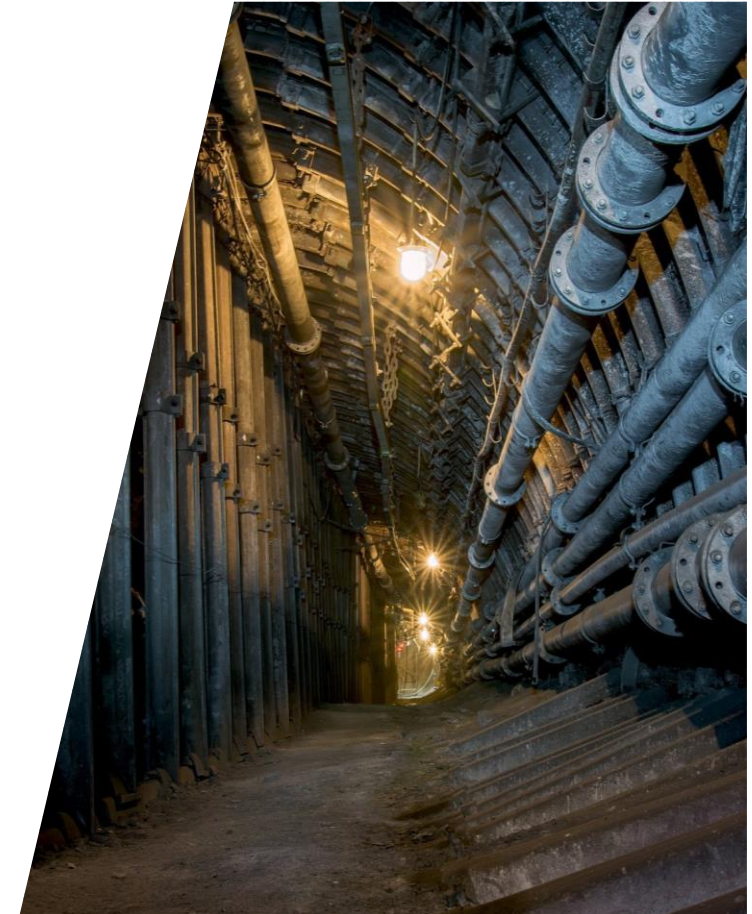
Key events in the first quarter of 2021

Q1 2021

- conclusion of an Annex to the Long-term Agreement with ENEA Wytwarzanie Sp. z o.o.
- court registration of the amendments in the Articles of Association of LW Bogdanka S.A.
- concluding an annex with Enea Elektrownia Połaniec S.A.
- fifth Call to Shareholders of LW Bogdanka S.A. to submit their share certificates to the Company
- conclusion of an additional agreement and annexes to the long-term agreement with ENEA Wytwarzanie Sp. z o.o.

Key events after the balance-sheet date

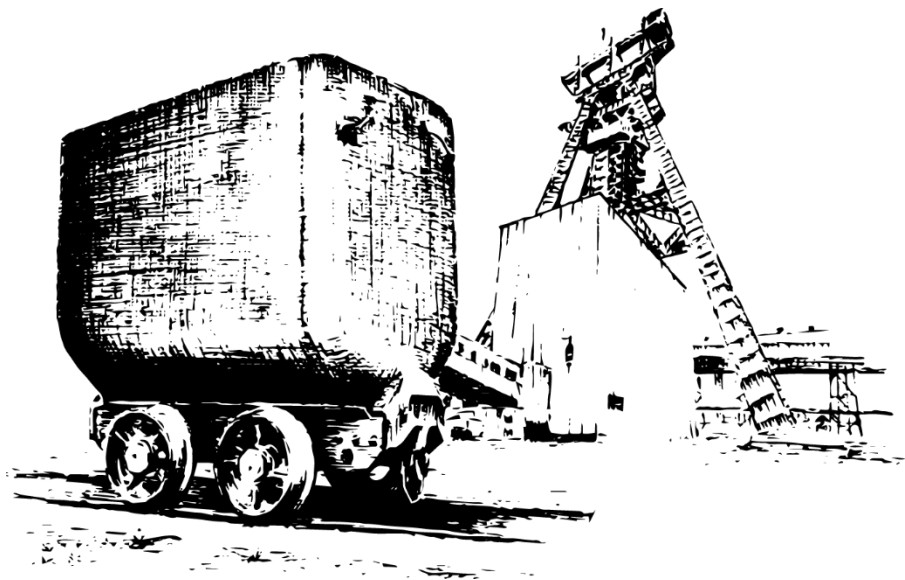
- convening the Extraordinary General Shareholders Meeting – changes in the composition of the Supervisory Board
- conclusion of an additional agreement and an annex to the long-term agreement with ENEA Wytwarzanie Sp. z o.o.
- recommendation of the Management Board regarding the allocation of profit for 2020 to the Company's reserve capital





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Organisation and business
activities of the LW Bogdanka
Group



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

Lubelski Węgiel Bogdanka Spółka Akcyjna

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Industry ID No. (REGON): 430309210
Tax Reg. No. (NIP): 713-000-57-84
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Legal form and regulations which provide a basis for the Company's activities

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

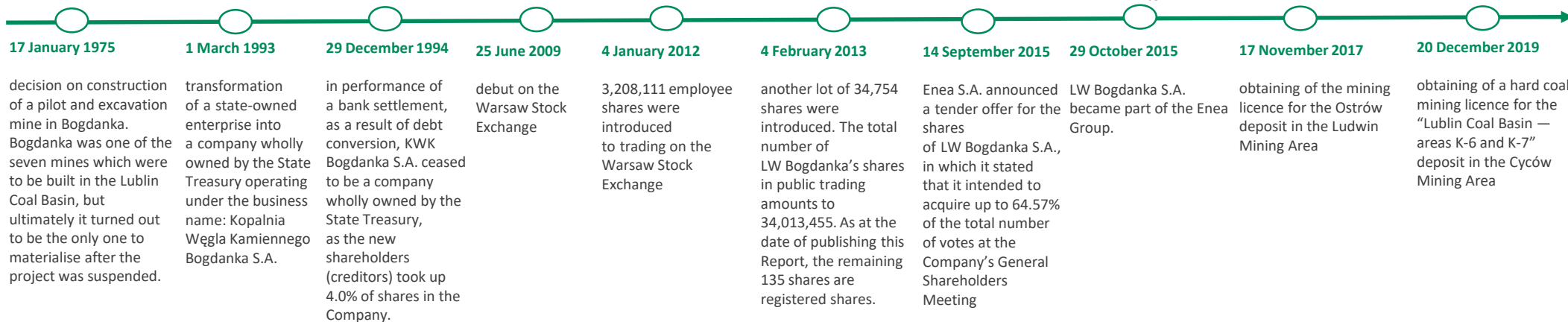
- Act of 15 September 2000 – Commercial Companies Code
- Act of 9 June 2011 – Geological and Mining Law

The founder of the Company is the State Treasury, represented by the Minister of the State Treasury.

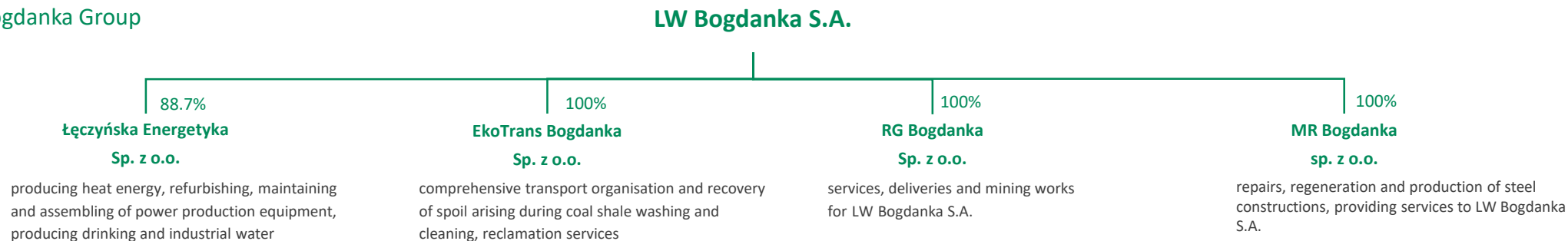
The Company may operate in Poland and abroad.

The Company was established for an indefinite term.

History in brief



Structure of the LW Bogdanka Group



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

Changes in the structure of the LW Bogdanka Group

In Q1 2021 there were no changes in the structure of the LW Bogdanka Group or the Group's organisational and capital relations to other entities. In the period in question there were no changes in the structure of the LW Bogdanka Group that would result from merger of business entities, acquisition or sale of the Group's undertakings, long-term investments, division, restructuring or discontinuation of activities.



Development strategy

LW Bogdanka S.A.

On 16 December 2020 the Parent announced key components of the Development Strategy of LW Bogdanka S.A. from the Mining Area of the Enea Group until 2030 (under the 2040 framework), including the dividend policy.

The adopted Strategy reflects Poland's 2040 Energy Policy and constitutes a link in the 2030 Development Strategy of the Enea Group (under the 2035 framework) as it covers, among other things, activities to meet the assumed demand for thermal coal on the side of power and cogen plants from the Generation Area of the Enea Group.

Vision

"Bogdanka is the efficiency leader in the mining sector with the highest work safety standards, who flexibly adjusts to environmental requirements and market conditions, and builds "Green Deal" as part of diversification of business activity."

Mission

"Bogdanka proves that it is a reliable supplier of coal for commercial power plants, able to maintain its competitive advantage and to ensure continuous increase in 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 main Strategic Goals were identified:

- Maintaining the position of the market leader in thermal coal supplies for commercial power plants in Poland, who successfully competes with importers;
- Maintaining high efficiency and profitability of production due to innovative organizational as well as technical and technological solutions.

Based on developed forecasts (Poland's 2040 Energy Policy, The National Energy and Climate Plan for the period 2021-2030), LW Bogdanka S.A. will aim to become the most cost-efficient producer of thermal coal in Poland, who can successfully compete with other coal producers and suppliers while maintaining the current production potential under the 2040 framework.

In order to complete the abovementioned assumptions, LW Bogdanka S.A. will take the following optimization actions:

- Increasing the number of products due to selective extraction (type 34);
- Broadening operating areas (diversification) – use of technical and human potential with a view to launching efficient initiatives outside of the core business;
- Identifying, recognizing and documenting new coal reserves (coking coal – type 35);
- Implementing own innovative solution programs (technical and technological, work safety) which allow competitive advantage to be maintained;
- Implementing key strategic initiatives defined for the Mining Area of the Enea Group Strategy.

While completing the assumptions enumerated above the Company plans to take advantage of its strengths, such as:

- Stable sales thanks to long-term agreements with coal recipients;
- Geographic rent – the only mine extracting coal in the Lublin Coal Basin;
- Low cost of extraction – the highest cost-efficiency on the market;
- Highly qualified employees, technical culture;
- Optimal use of production capacity;
- Constant dialogue with representatives of the employees and local community;
- Quoted Company status.

Production

The Company plans to seize the opportunities provided by holding a mining license for Ostrów and "K-6, K-7" deposits.

The Company assumes average production in 2021-2025 at a level of 9.7 million tonnes. Only thermal coal would be produced during that period.

Between 2026 and 2040, on the other hand, also coking coal will be extracted (type 34). Since 2026 the volume of coking coal will reach the level between 0.7 to 3.1 million tonnes annually, with average value of 1.9 million tonnes.

Hence, total average coal production until 2040 shall amount to approx. 8.8 million tonnes.

Due to length of walls reaching 6-7 kilometers, which is an innovation in Poland, but typical of global mining, the Company assumes higher excavation concentration and lower cost of mining which will allow it to successfully compete with coal providers, especially from abroad.

Capital expenditure

Average expenditure in 2021-2025 will amount to approx. PLN 535 million, in 2026-2030 to approx. PLN 405 million, approx. PLN 352 million in 2031-2035, and approx. PLN 307 million in 2036-2040. The quoted amounts do not include possible cost of making the Ostrów deposit vertically available (PLN 2.1 billion).

Corporate Social Responsibility (CSR)

Because of its crucial importance to the region, one of the Company's goals, as always, is to run its business operations in compliance with the rules of corporate social responsibility (CSR), which include ensuring the highest work safety standards, environmental effectiveness, protection of local biodiversity, 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 (Green Mine).

Dividend policy

In the medium and long run, LW Bogdanka S.A. 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 Company's separate financial statements, prepared in accordance with the IFRS EU.

Development strategy of the subsidiaries

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

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

- Extension of the Water Treatment Station (WTS) – due to the technological needs of LW Bogdanka S.A. there are plans to continue this task in 2022-2023 (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 - next year a concept of assumptions for 2022-2024 will be prepared.
- Modernisation of the main heat line Bogdanka - łączna – this task will be performed with a view to reducing significant transmission losses and protecting the network against gradual corrosion, thus making them available for use in subsequent years.

All investment projects are planned to be implemented from the Company's own funds, with a proviso that in the event of the Bogdanka-łączna line, as of 2022 the source of financing may change (in case the support funds are received).

Development strategy MR Bogdanka sp. z o.o.

The company's strategic goals include:

- increase capacity in the area of mining machine manufacturing and refurbishment,
- manufacture general purpose steel structures,
- manufacture and regenerate mass products used by LW Bogdanka S.A.

The company's main objectives include:

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

Development strategy EkoTrans Bogdanka Sp. z o.o.

In 2021 and onwards the company is planning to conduct business operations related to mining waste management. The Company aims to recover and recycle about 2.7 million tonnes of waste generated by dry and wet coal processing annually.

Development strategy RG Bogdanka sp. z o.o.

The existing strategy of the company will be continued as its main development direction for the next years; the strategy assumes increasing the share of specialist mining works - drilling of excavations, redevelopments as well as works with the use of specialist machinery. These activities are aimed at stabilising the Company's position on the local market. Larger scope of activities will ensure its business continuity and will allow its employees to pursue their professional development through gradual improving their qualifications. In the long run, the company plans to develop its machine park, which is to ensure its independence and possibility to perform the full extent of mining works.

Investment projects completed in Q1 2021

In Q1 2021, LW Bogdanka S.A. performed the planned investment tasks. In this respect capital expenditures for non-current assets totalled PLN 71,166,000.

The plan for 2021 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.

INVESTMENTS DEVELOPMENT INVESTMENTS AND OVERHAULS LW BOGDANKA S.A.

Maintenance of machinery

Purchase of new machinery and devices subject to assembly – in Q1 2021 total expenditure of PLN 171,000 was made for the assembly of sifters purchased in 2020.

Purchases of finished goods (machines and equipment) – the finished goods worth PLN 15,131,000 were purchased. The most important items included: ready-made transportation devices (including hoists), hydraulic pumps and aggregates, electric devices (including motors, protection devices tester), and other ready-made devices.

Modernisation and renovations of machinery and equipment – PLN 172,000 for modernisation of the Panda device.

Other development investments

Enlargement of the coal storage yard – expenditure of PLN 64,000 was made for the performance of Annex 2 to the construction design dividing stage I into two parts, in order to receive a replacement building permit.

Power, telecommunications and mechanical installations – PLN 662,000; the investment included the expansion of the power engineering networks, the main drainage pipeline in shaft 1.2, and a plot of land was purchased for the construction of a photovoltaic installation.

Switching station and other electromagnetic systems — PLN 270,000. The investments included modernisation of control systems for main fans station.

MCCP replacement projects – PLN 1,030,000 was assigned for further modernisation of steel structures and MCCP facade.

Construction and modernisation of facilities and installations related to core operations – PLN 10,359,000 – continuation of the investment: modernisation of the central air conditioning system in Stefanów (investment continued), modernisation and development of the THOR system, replacement of batteries in the back-up power supply for telecommunications systems.

ICT – PLN 1,321,000 was allocated for, among other things, alarm and monitoring systems, for the “Smart Mine” project as well as 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 Q1 2021 was approx. 4.5 km (total: 5.3 km) with the value of PLN 31,472,000.

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 10,514,000.

Investment projects completed in Q1 2021

The LW Bogdanka Group subsidiary companies incurred expenditure for non-current assets of PLN 705,000.

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

Łęczyńska Energetyka

Investment tasks completed in Q1 2021 included projects related to production, transmission and distribution of heat. In 2021 the company's capital expenditure totalled PLN 80,000.

RG Bogdanka, MR Bogdanka

In Q1 2021 they incurred capital expenditure in the total amount of PLN 625,000. These expenses were related to material investments.

Selected items of capital expenditure in the LW Bogdanka Group

[PLN '000]	PTE 2021	Performance of PTE in Q1 2021	Performance of PTE in Q1 2021 [%]
New workings and upgrade of existing ones	297,846	41,986	14.1%
Maintenance of machinery	83,389	15,474	18.6%
Obtaining new licences	3,150	-	-
Longwalls	118,500	-	-
Other development investments	62,696	12,385	19.8%
ICT	17,034	1,321	7.8%
Administration	50	-	-
Transport	140	-	-
Other	7,301	-	-
TOTAL CAPEX of LW Bogdanka S.A.	590,106	71,166	12.1%
Łęczyńska Energetyka Sp. z o.o.	5,262	80	1.5%
Other subsidiaries	2,323	625	26.9%
Total CAPEX at the LW Bogdanka Group	597,691	71,871	12.0%

Capital expenditure for excavations in Q1 2021

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	4,149			
Basic excavations	linear	310	12,812	54,798	41,986
Reconstructions	linear / natural	570			

The total length of the corridor workings made in the period of 3 months of 2021 was 4,734.7 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 10,514,000. The total expenditure incurred on the new workings and on the modernization of the existing ones amounted to PLN 31,472,000.

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 276 m.

Coal prices on the international market

CIF ARA coal prices

- USD 67.2/tonne - the average coal price (CIF ARA) in Q1 2021, i.e. +37.5% (compared to USD 48.9/tonne in Q1 2020)
- comparing to the average coal price (CIF ARA) in Q4 2020, (USD 59.0/tonne), it's an increase by 13.9%

Inventories in ARA ports

- 3.6 million tonnes of coal inventories at the end of March 2021 in ARA ports – as at the end of December 2020 the level was 4.3 million tonnes.

Prices in the world's main ports

- The average coal price FOB Baltic Ports in Q1 2021 amounted to USD 60.4/tonne, i.e. +28.5% (USD 47.0/tonne) compared to Q1 2020
- comparing to the average price in Q4 2020, (USD 51.6/tonne), it's an increase by 17.1%

China

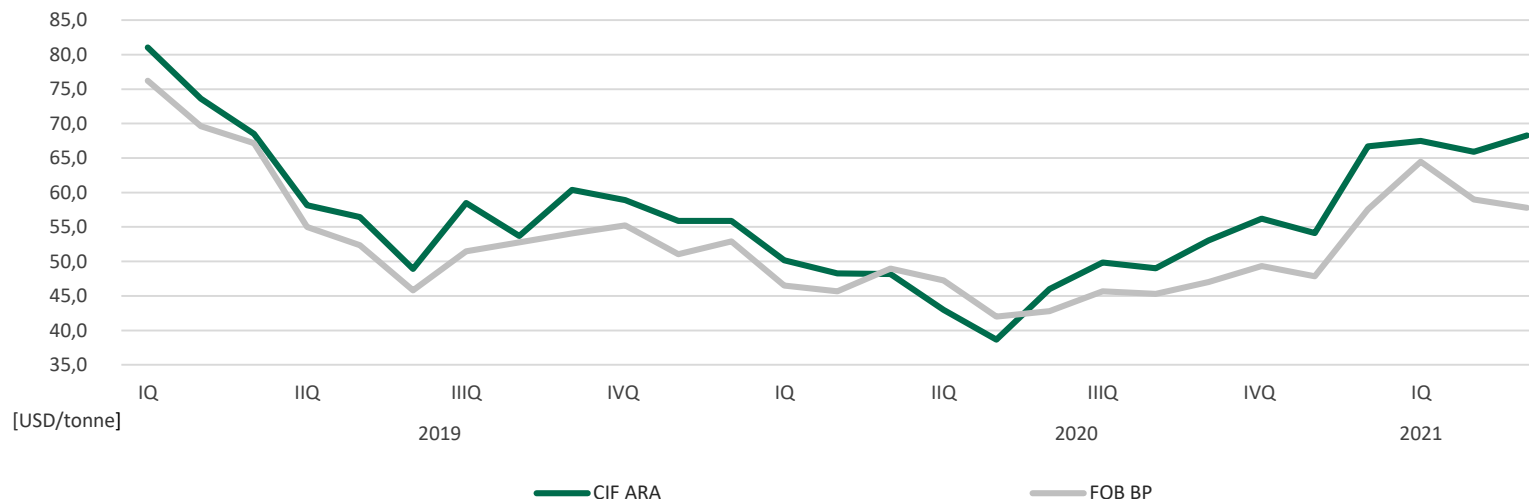
- approx. 970.6 million tonnes of coal were produced in Q1 2021, +17% compared to Q1 2020 (829.9 million tonnes)
- imports in Q1 2021 were 68.5 million tonnes – a decrease by approx. 28.5% compared to Q1 2020 (95.8 million tonnes)

USA

- production in Q1 2021 – 125.9 million tonnes, - 7.4% compared to Q1 2020 (136 million tonnes)
- consumption in Q1 2021 was 125.2 million tonnes, 16.5% compared to Q1 2020 (107.5 million tonnes)
- exports of hard coal in Q1 2021 were 18.8 million tonnes, up by 5.0% y/y (17.9 million tonnes)

Russia

- production in Q1 2021 was 108.0 million tonnes, up by 23.9% y/y (87.2 million tonnes in Q1 2020)
- exports in Q1 2021 were 47.6 million tonnes, up by 28.6% y/y (37 million tonnes)



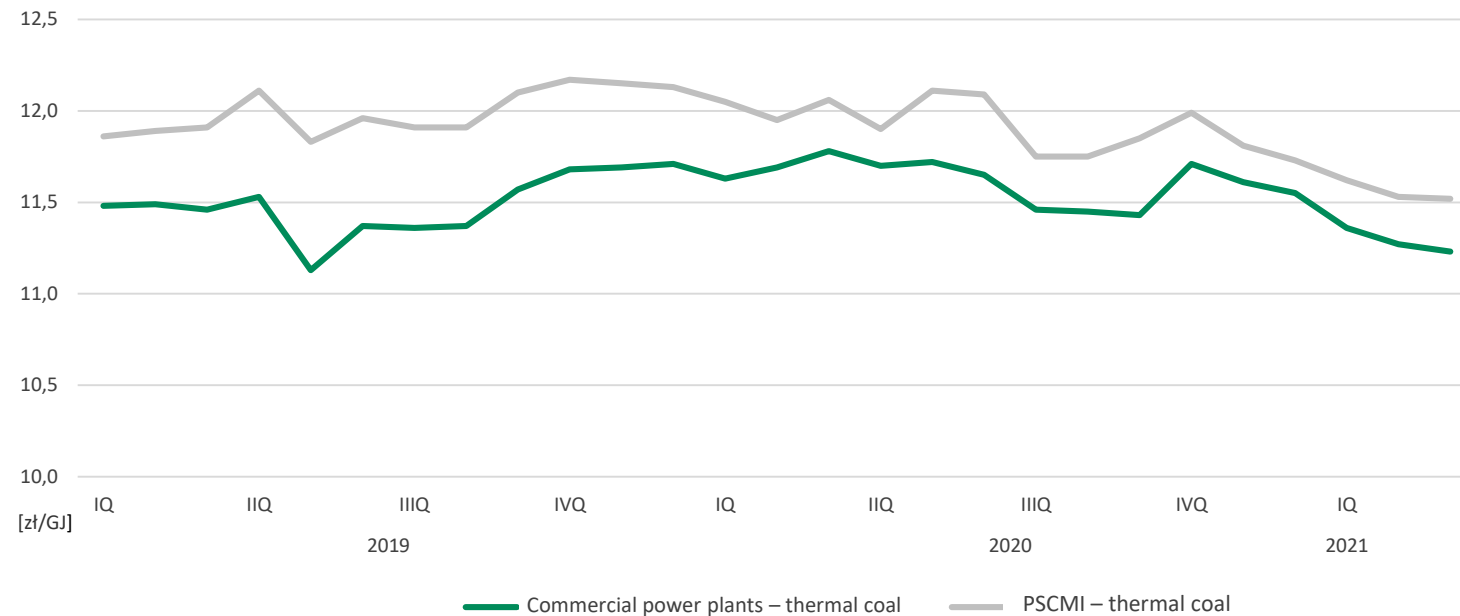
Fine thermal coal prices in the domestic market

Fine thermal coal prices

- in Q1 2021, the average annual price of fine thermal coal for commercial power plants was PLN 11.29 per GJ, the price drops dynamics was ca. 3.5% y/y
- average heating value of fine coal for commercial power plants was about 21.5 GJ

Prices based on the PSCMI index

- in Q1 2021 the average price based on the PSCMI index was approx. PLN 11.56 per GJ, which compared to average price in Q1 2020 (PLN 12.02 per GJ) represents a decrease by approx. 3.8%



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

Production of thermal coal in Poland

- in Q1 2021, the production of thermal coal amounted to about 11.1 million tonnes, which represents a decrease of 5.1% y/y

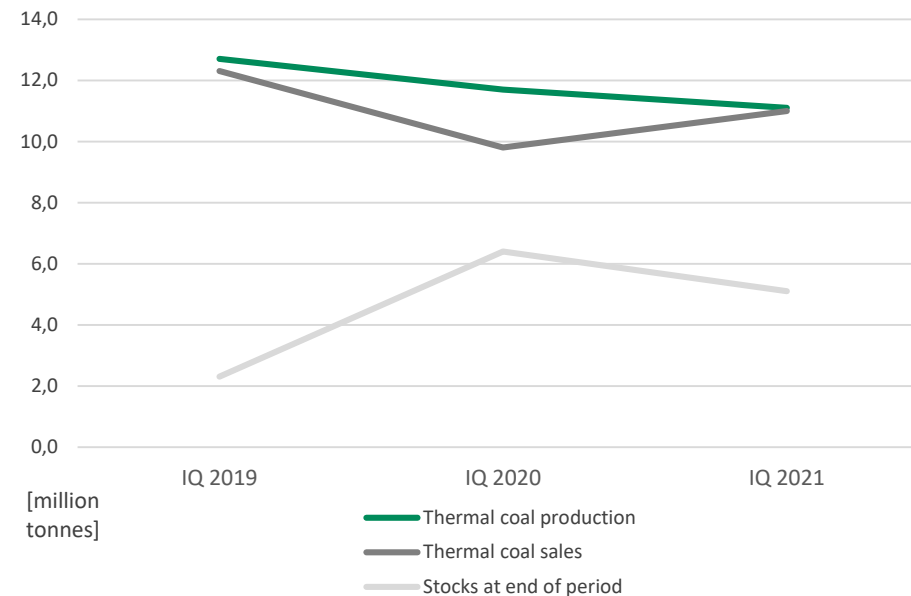
Sales of thermal coal market in Poland

- sales in Q1 2021 amounted to about 11.0 million tonnes, including about 7.4 million tonnes of thermal fine coal sold to commercial power plants
- sales of thermal coal increased by about 12.2% in comparison to Q1 2020

Inventories of coal in Poland

- the level of thermal coal inventories at the end of Q1 2021 totalled 5.1 million tonnes (at the end of Q1 2020 – 6.4 million tonnes)

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



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

Key customers of thermal coal in Poland

Commercial power plants are the main recipients of thermal coal in Poland. They bought about 6.5 million tonnes of thermal fine coal. The most important customers from the commercial power industry are as follows:

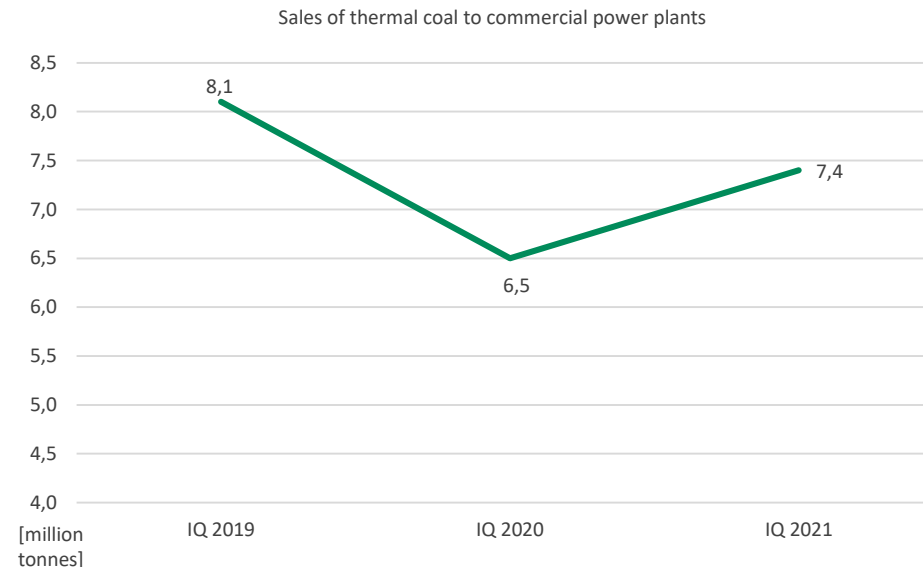
- Tauron
- PGE
- Enea
- PGNiG
- ENERGA

Sales of thermal coal market in Poland

In Q1 2021, about 11.0 million tonnes of thermal coal were sold in Poland. 10.6 million tonnes of thermal coal were delivered to the domestic market, including 9.2 million tonnes of thermal fine coal.

Export of coal

About 1.4 million tonnes of coal were exported, including approx. 0.4 million tonnes of thermal coal.



Power generation in Poland

Electricity generation – total

In Q1 2021, the production of electricity totalled about 43,138 GWh, compared to Q1 2020 up by 5.8%.

Power generation from coal

Coal was the main fuel used to produce electricity. In Q1 2021 it was used to produce 34,700 GWh, which represents an increase by 22.1% compared to Q1 2020. In Q1 2021 coal accounted for 80.4% of total electricity production in Poland, and its share in the fuel mix went up by 10.7% in comparison with Q1 2020.

Power generation from hard coal

In Q1 2021 hard coal served for producing electricity of 24,382 GWh of electricity (up by 26.6% compared to Q1 2020).

Power generation from lignite

In Q1 2021 lignite was used to produce 10,318 GWh of electricity (12.6% more than in Q1 2020).

Power generation by wind farms

Wind farms in Q1 2021 produced 3,657 GWh of electricity, which represents a decrease of 29.1% in comparison with Q1 2020. Wind made up about 8.5% of electricity production.

Power generation by gas-fired power stations

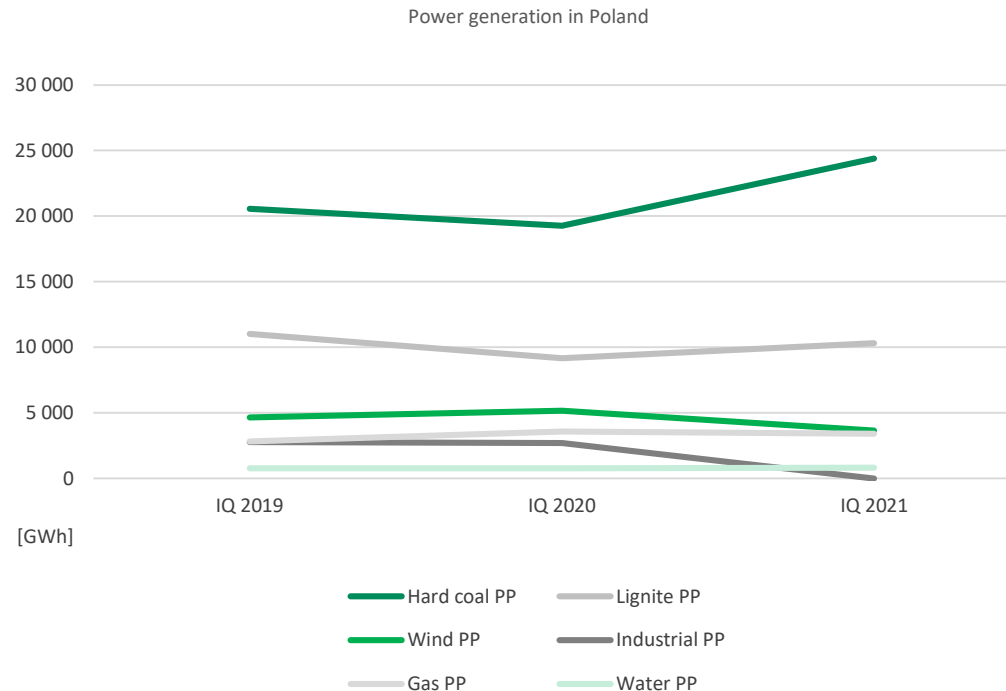
Gas power plants in Q1 2021 produced 3,416 GWh of electricity, which is a decrease of 4.2% compared to Q1 2020.

Electricity consumption on the domestic market

In Q1 2021, the consumption of electricity totalled 45,260 GWh of electricity, compared to Q1 2020 up by 4.0%.

Foreign sales balance

The balance of foreign exchange of electric power in Q1 2021 was 2,122 GWh, in Q1 2020 the figure was 2,768 GWh (down by 23.4%).



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 2020. Below please find risk factors which the Group sees as the most important risk factors in the perspective of the following (second) quarter of 2021.

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. On 2 February 2021 "Poland's 2040 Energy Policy" was approved by virtue of resolution of the Council of Ministers. 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 hard coal for electricity production will stand at a level of approx. 56% in 2030 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 the turn of Q3 and Q4 2020 prices on the international markets stabilized, and in Q1 2021 they rose, and the upward trend continued at the beginning of Q2 this year. This increase resulted mainly from weather condition (significant cooling, long-lasting temperatures below zero) and the improvement of the supply and demand situation of the largest customers of imported coal in Europe, which was a consequence of enhanced functioning of countries' economies despite imposed temporary restrictions as a result of the COVID-19 pandemics.

On the domestic market of thermal coal, following the stabilisation of prices between Q3 and Q4 2020, prices went down and the downward trend continued in the first months of 2021.

In Q1 2021 a temporary increase in electricity production from coal was observed. The situation resulted from weather conditions which during last winter significantly differed from conditions typical for that period in previous years – therefore it may be deemed a seasonal event. Low temperatures in Europe (including Poland) in Q1 2021, significantly reduced production capacities as far as energy from wind farms and other renewable sources are concerned, which concurrently translated into a significant drop of electric energy imported from other countries. Since supplies of energy from these sources were reduced, coal energy sector provided supplies of the missing volume of electric energy by increasing its production volume.

Nonetheless, irrespective the increased consumption of coal in Q1 2021, 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.

Currently, in relation to the announcement of the new Strategy assuming enriching the present product range by adding 35 coke coal, the Company has applied for obtaining a licence for prospecting for or exploration of deposits in the Lublin Coal Basin.

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 Q1 2021, six trade union organisations operated at the Group (of which four trade union organisations at LWB associating approx. 63.9% 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 coronavirus (SARS-Cov-2) epidemic continuing from 2020 and causing COVID-19 still has a significant impact on the economy, both in Poland and internationally. It is still necessary for the government to take measures counteracting the epidemic and introduce other restrictions which affect the condition of the economy. The said measures and influences may be observed on the example of the third wave of the coronavirus, which took place in Q1 and at the beginning of Q2 2021.

The circumstances described above did not, however, materially impacted Group's operations in 2020. Very good production results which translated into the financial result in Q1 2021 were achieved thanks to the intense work of employees and optimized wall run system and timetable in the period of higher coal demand.

However, bearing in mind the risks posed by COVID-19, the Group continues to apply proper security and other measures to counteract the negative impact of COVID-19 on Group's operations and financial results. These measures include, in particular, personal protection equipment, keeping distance, proper work organisation, use of shift work or home office where possible, and suitable technical resources facilitating prophylaxis. The Group's Management Board hopes that it will soon be possible for the Group to participate in vaccination programme run in places of employment (the Group has already declared its wish to be a part of the programme).



Workforce changes

Workforce at the Group

Q1 2021 brought an 0.9% increase in employment in the Group. The highest increase (in %) in FTJs was recorded in RG Bogdanka sp. z o.o.

Workforce of the Parent

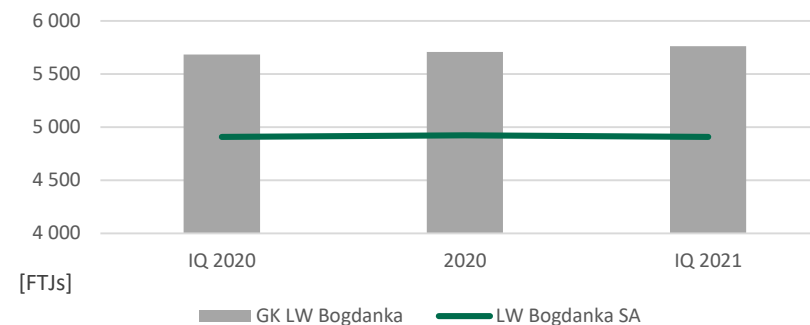
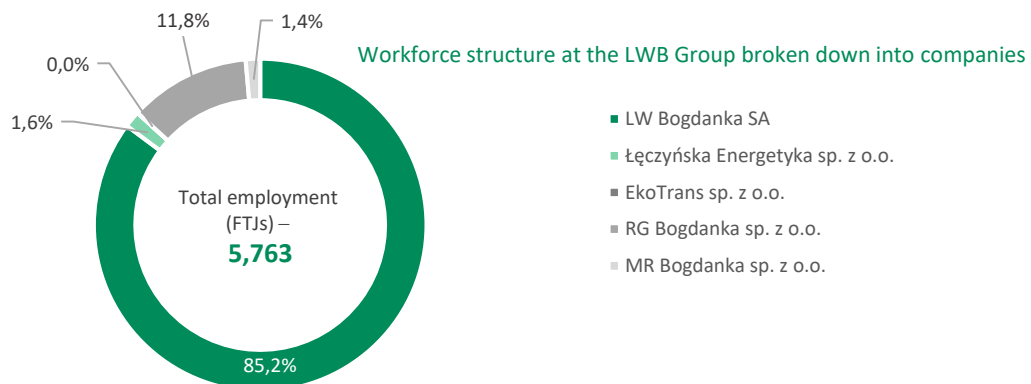
In Q1 2021 the personnel employed at the Parent accounted for 85.2% of total employment in the Group.

Blue-collar workers accounted for 83.8% of all employees. In comparison with Q1 2020 the number of underground staff went down by 15.0 workers, i.e. 0.4%.

Underground personnel constituted the main group employed in LW Bogdanka S.A., i.e. 72.9% of total staff.

In Q1 2021, 28 employees were hired to LW Bogdanka S.A., while 41 employees left the Company.

Employment (FTJs)	31 Mar. 2020	31 Dec. 2020	31 Mar. 2021	Workforce structure at the Group	Change Q1 2021/ Q1 2020	Change Q1 2021/ 2020
Total						
Total workers	4,134.0	4,129.0	4,115.0	-	-0.5%	-0.3%
Underground workers	3,173.0	3,161.0	3,152.0	-	-0.7%	-0.3%
Surface workers	961.0	968.0	963.0	-	0.2%	-0.5%
Full-time employees underground	421.0	430.0	427.0	-	1.4%	-0.7%
Full-time employees on the surface	351.5	363.0	367.0	-	4.4%	1.1%
Total underground	3,594.0	3,591.0	3,579.0	-	-0.4%	-0.3%
LW Bogdanka S.A.	4,906.5	4,922.0	4,909.0	85.2%	0.1%	-0.3%
RG Bogdanka Sp. z o.o.	596.6	612.0	676.9	11.8%	13.5%	10.6%
MR Bogdanka Sp. z o.o.	83.5	76.5	80.5	1.4%	-3.6%	5.2%
EkoTrans Bogdanka Sp. z o.o.	1.0	2.0	2.0	0.0%	100.0%	0.0%
Łęczyńska Energetyka Sp. z o.o.	96.0	96.5	94.6	1.6%	-1.4%	-2.2%
LW Bogdanka Group	5,683.6	5,709.0	5,763.0	100.0%	1.4%	0.9%



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 Group pursuing its economic objectives in line with the expectations of the society and the requirements of the environment.

The Company has implemented 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. Our 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 safety management at the workplace

At LW Bogdanka S.A., matters related to occupational health and safety management are part of the *Integrated Health and Safety, Quality and Environment Management System at LW Bogdanka S.A.*

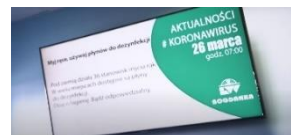
The Company maintains a quality management system compliant with the requirements of the relevant reference standards, which has been confirmed by audits in the organisation, including an audit carried out by PRS Certyfikacja S.A. Several (facultative) OHS solutions were kept in place in order to improve employee safety at the Company.

Prevention

Health prevention measures were primarily focused, similarly as in 2020, on counteracting the dissemination of the COVID-19 pandemic. Relevant safety information was displayed on various carriers, including OHS screens or boards displayed at the entrance to the Company. Moreover, in order to ensure the highest level of occupational safety, the Company develops and displays on screens (located in places where the crew gathered before descent) reconstructions of accidents at work and demonstrations of correct performance of duties were.

As part of the action promoting health prevention a prevention action was organised on the occasion of Women's Day for women employed at LWB – each of them received a gift with information materials regarding cancer disease.

The Company also carried out information action regarding vaccinations against Covid-19, by organising vaccine registrations among the employees.



Close to nature

Sustainable development of LW Bogdanka S.A. means prioritisation of environment protection and care for ecological aspects. The Company is aware on how precious area, in terms of nature, it is situated, in vicinity of the Polesie National Park and other protected areas; therefore it pursues numerous projects which decrease the adverse effect on the environment and other indirect effects of the industrial activity, like emissions or the use of water and materials. The magnitude and scale of the impact on the natural environment depends to a large extent on the extraction technology employed by the mine and on how environmental issues are handled by the enterprise.

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

The project "Soil – agricultural space. Sustainable agriculture in the areas in vicinity of LWB" was continued in Q1 2021.

A long-term goal of the pursued project is to implement sustainable agricultural activity in the areas located in vicinity of the Bogdanka mine by way of a detailed examination of the condition of soil and educational activity, which is to result in maintaining production potential and soil function as well as mitigating the negative impact of agriculture on the surrounding natural environment. The assumed goals are to be achieved by developing and publishing materials being a compendium of knowledge on agricultural activities managed in line with the rules of sustainable agriculture on the areas adjacent to the Bogdanka mine. The brochure, based on the results of the conducted tests and recommendations given by the scientists, Will particularly focus on the application of modern

cultivation techniques, reasonable use of fertilizers, applying measures and solutions levelling the results of the agricultural drought.

The brochure will be made available to farmers in the first half of 2021.

In March 2021 the Company along with the Central Mining Institute in Katowice and the WSB University of Dąbrowa Górnicza organised workshop on revitalisation of post-mining land in the context of managing the mining waste treatment facility in Bogdanka.



Social matters

Investing in education on sustainable growth

"ŁącznaLAB" – is the continuation of successful cooperation with the Łączna Municipality and the Landscapes Foundation, as part of which, in a strict cooperation with dwellers, self-government, and experts, six tasks will be performed in 2021: Urban Greenery. Meadows – setting flowery meadows and flower beds, including five mini theme meadows created together with local organisations and groups.

Culture of Space / Functional Greenery – it's a second stage of revitalisation of the Miner's Square and making a culture corner at the Cultural Centre at ul. Fatimska. Furthermore, as part of the cooperation, a sensory playground will be created in the Podzamcze Park as well as a "Dog Stop" offering events for dogs and dog owners.

The "Nadrybie Parklet" - a mobile educational platform known from the previous year, following a refreshment and a change of greenery will continue its route throughout the province. What is important, all the above tasks have been developed in cooperation with the dwellers and on their initiatives under the Urban Laboratory project of 2020.

New nesting sites for little owls, long-eared owls, and barn owls will soon appear in the Łęczyński powiat and a part of the Polesie region. This is thanks to the efforts of LW Bogdanka S.A. and the "For Nature" Foundation which at the end of 2020 started cooperation with a view to actively protecting those amazing owl species.

The cooperation with the "For Nature" Foundation, within the frame of the proposed actions, is crucial due to their influence for local natural environment and shaping pro-environmental attitudes of the local community. From their nature, owls do not set nests, but to a small extent adapt nesting sites, using nests

abandoned by other birds, tree hollows, rock shelves as well as abandoned utility buildings.



Development and Joy - "Development and Joy" – is a title and a motto of an initiative addressed to children under care of orphanages and foster families, including those who will attain their majority this year. The educational and development chances for children and youth are to be equalled through the "Development" module in order to motivate them to reach better results and help enter adult life. The "Joy" module assumes actions to provide good experience - that is participation in cultural events, integration trips, learning about the world and gaining new knowledge. In 2021 three organisations were invited to the project: Orphanage in Kijany, Orphanage in Siedliszcze and Janusz Korczak Orphanage in Lublin. Additionally, in close cooperation with the Powiat Centre for Family Help in Łęczna, as part of integration activities, individual support was provided to 20 children in foster families and to 50 foster families.



Bogdanka Socially Committed – in August 2019 the Company launched a programme under which LW Bogdanka's employees may bring initiatives and inform the Company of social organisations which are important for local community and, at the same time, address the needs of groups of external stakeholders of the Company. An employee may once a year receive up to PLN 3,500 to implement his or her initiative described in the application – the ideas are subject to assessment by a Team appointed by the Vice-President of the Management Board responsible for Employee and Social Affairs. Despite the continuing pandemic, our employees have completed this year already 11 projects for the local communities, including by joining the organisation of judo for children - "Open Lublin Province Championship" or renovation of historic tomb on the Roman-Catholic cemetery in Wereszczyn. An important branch of the Socially Engaged Bogdanka programme is education. A pre-school facility in Janowica has been equipped in new educational materials and pro-development toys, and Primary School No. 4 in Łęczna children are provided with support in learning programming and cyberreality.



Social matters

Bogdanka's Active People – 3rd edition

The employees of the LW Bogdanka Group submitted information of their passions to the Bogdanka's Active People programme; the proposals were accepted until 15 May. It's already the third edition of the programme which offers co-financing for interesting extra-professional activities of the employees. The programme has been appreciated both in the company and by the local media, and has become an important pillar of the employer branding strategy.



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.



On average, 70 % 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. Co-financing provided to education and health care is related mainly to assistance for institutions, associations and other organisations of significant social importance.

Development of the local community

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. As from January 2021 new Rules governing donation granting have been in force, where goals and priorities for the Company's social involvement were described along with a procedure of applying for a grant. The changes include developing a grant application form. The rules

were presented to the Company's stakeholders at a relevant webinar. The initiatives in which the Company is involved include canteen for the poor and the homeless operated by St. Brother Albert Brotherhood of Mercy and the construction of a mini traffic city for children of the Primary School in Nowa Jedlanka.



Bogdanka in the "Responsible Business in Poland" report and in the group of Partners of the Responsible Business Forum.

The Company's CSR practices noticed in the "Responsible Business in Poland. Best Practices 2020" Report. Urban Laboratory in Łęczna, Bogdanka's Active People, Inter-sectoral cooperation for the benefit of sustainable growth of LWB, Mining Leaders Academy or Socially Engaged Bogdanka – are only some of our initiatives appreciated by experts. On publishing the Report it was also announced that LW Bogdanka had joined the Responsible Business Forum Partnership Programme now comprising 51 strategic partners.

Awards and accolades

- Award in the "Mining Success of the Year" competition in the Innovation category, for innovative solutions implemented in order to exploit wall 1/VIII/391, including comprehensive use of digital tools, e.g. the Internet of Things.
- 2nd place in the Diamonds of Polish Economy 2020 ranking for the Lublin Province. The ranking was published by the "European Company", a magazine for entrepreneurs. From among 68,812 Polish companies whose financial results had been analysed in November 2020 by the Institute of the European Business, the title of a Diamond of Polish Economy 2020 was granted to 759 companies from the Lublin Province.





3

Financial standing

Production, sales and inventories of coal

Production, sales of commercial coal of the Company

['000 tonnes]	Q1 2020	Q1 2021	Change	Change %
Gross coal extraction	3,146	3,611	465	14.8%
Production of commercial coal	2,066	2,612	546	26.4%
Yield (%)	65.7%	72.3%	6.6 p.p.	10.0%
Sale of commercial coal	1,918	2,383	465	24.2%
New excavations (km)	6.7	5.3	-1.4	-20.9%

Inventories of commercial coal of the Company

['000 tonnes]	31 Mar. 2020	31 Dec. 2020	31 Mar. 2021	Change [%] 31 Mar. 2021 / 30 Mar. 2020	Change [%] 31 Mar. 2021 / 31 Dec. 2020
Inventories of coal	327	122	350	7.0%	186.9%

Structure of commercial coal production

[%]	Q1 2020	Q1 2021
Fine coal	99.7%	99.3%
Pea coal	0.3%	0.7%
Total	100.0%	100.0%

Production of coal

- (+) gross extraction of coal in Q1 2021 increased by 14.8%, i.e. 465,000 tonnes.
- (+) production of commercial coal in Q1 2021 was 2,612,000 tonnes, i.e. more by 546,000 tonnes (+26.4%) than in the same period of 2020.
- (+) yield for Q1 2021 was 72.3% compared to 65.7% for Q1 2020.

Sale of coal

- (+) the sales of coal in Q1 2021 increased by 24.2% compared to Q1 2020.

Inventories

- (+) at the end of Q1 2021, the level of coal inventories amounted to 350,000 tonnes, which means an increase by 228,000 tonnes compared to the level as at 31 December 2020.
- (+) the level of coal inventories presented at the end of Q1 2021 corresponds approximately to 10 days of commercial coal production (on the basis of daily production for three months).
- (+) the level of inventories allows the mine for safe servicing of logistics processes in the event of problems with coal production.

Structure of commercial coal production

- (+) higher share of the production of fine coal sold to industrial customers.

Revenue and key customers of the LW Bogdanka Group

Dynamics of changes in product range with respect to revenue

[PLN '000]	Q1 2020	Q1 2021	Change	Change %
Sale of coal	450,560	528,677	78,117	17.3%
Other activities	10,159	11,734	1,575	15.5%
Sale of goods and materials	3,362	3,264	-98	-2.9%
Total	464,081	543,675	79,594	17.2%

Structure of revenue

[%]	Q1 2020	Q1 2021
Sale of coal	97.1%	97.2%
Other activities	2.2%	2.2%
Sale of goods and materials	0.7%	0.6%
Total	100.0%	100.0%

Geographical structure of revenue

[PLN '000]	Q1 2020	Structure	Q1 2021	Structure
Domestic sales	464,081	100.0%	517,279	95.1%
Foreign sales	-	0.0%	26,396	4.9%
Total	464,081	100.0%	543,675	100.0%

Revenue

(+) in Q1 2021, the Group generated revenue in the amount of PLN 543,675,000, which represents an increase by 17.2% compared to Q1 2020.

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

(+) increase in sales volume by 24.2%

(-) price drop

Revenue on other operations

In Q1 2021 revenue on other operations (which includes revenue of subsidiaries) were PLN 11,734,000 (2.2% of total revenue), compared to PLN 10,159,000 (2.2% of revenue) in the analogous period of 2020 (up by 15.5% 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.

Revenue from the sale of goods and materials in Q1 2021 amounted to PLN 3,264,000 and remained at almost identical level as in the analogous period of 2020.

Geographical structure of revenue

The activities of the Group are primarily concentrated in Poland. In Q1 2021 the level of sales of coal abroad (Ukraine) increased; the sales were performed through a coal agent.

In Q1 2021 the value of exports in the total revenue was PLN 26,396,000.

Key customers

About 84% of the realized coal sales (in terms of value) in Q1 2021 was effected between to Enea Wytwarzanie sp.z o.o., Enea Elektrownia Połaniec S.A. and Grupa Azoty Zakłady Azotowe Puławy S.A. In the same period of 2020, the share of the above customers was by approx. 7 p.p. higher (in the first quarter of 2021, the Company completed export shipments to Ukraine).

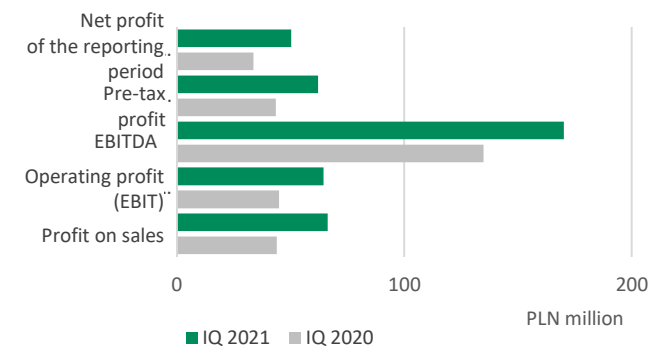
Key customers by share in revenue:

- Enea Wytwarzanie sp. z o.o. – Enea Group – approx. 67% 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]	Q1 2020	Q1 2021	Change
Revenue	464,081	543,675	17.2%
Costs of products, goods and materials sold, selling costs and administrative expenses	420,082	477,399	13.6%
Profit on sales	43,999	66,276	50.6%
Gross sales margin	9.5%	12.2%	2.7 p.p.
Other income	1,567	447	-71.5%
Other costs	151	160	6.0%
Net operating profit	45,415	66,563	46.6%
Other net losses	-521	-2,061	295.6%
Operating profit (EBIT)	44,894	64,502	43.7%
EBIT margin	9.7%	11.9%	2.2 p.p.
EBITDA	134,807	170,221	26.3%
EBITDA margin	29.0%	31.3%	2.3 p.p.
Finance income	1,578	68	-95.7%
Finance costs	2,909	2,502	-14.0%
Profit before taxation	43,563	62,068	42.5%
Pre-tax profit margin	9.4%	11.4%	2.0 p.p.
Income tax	9,895	11,761	18.9%
Net profit for the financial year	33,668	50,307	49.4%
Net sales margin	7.3%	9.3%	2.0 p.p.



Financial highlights LW Bogdanka Group

Revenue

The value of revenue for Q1 2021 went up by 17.2% compared to the same period of the previous year and amounted to PLN 543,675,000.

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

In Q1 2021 the costs of products, goods and materials sold plus selling costs and administrative expenses amounted to PLN 477,399,000, i.e. they went up by 57,317,000 compared to the same period of the previous year (PLN 420,082,000).

Profit on sales

In Q1 2021 profit on sales amounted to PLN 66,276,000, while in the same period of 2020 profit on sales was recorded and amounted to PLN 43,999,000.

Other income

In the first quarter of 2021 other income amounted to PLN 447,000 compared to PLN 1,567,000 a year before. The high level of other income in Q1 2020 results from a higher amount of returned excise tax (PLN 1,053,000).

Other costs

Other costs in Q1 2021 amounted to PLN 160,000 while in the same period of 2020 the figure was PLN 151,000.

Other net losses

In Q1 2021 other net losses amounted to PLN 2,061,000, compared to the net loss of PLN 521,000 in Q1 2020, i.e. they increased by PLN 1,540,000, primarily due to currency exchange differences regarding operating activities.

EBIT

Operating result in Q1 2021 amounted to PLN 64,502,000. EBIT margin in Q1 2021 was 11.9%, i.e. it was higher by 2.2 p.p. than in the first quarter of the previous year.

EBITDA

EBITDA in Q1 2021 increased by 26.3% compared to Q1 2020 and amounted to PLN 170,221,000. EBITDA margin in Q1 2021 equalled 31.3%, which shows an increase by 2.3 p.p. compared to the same period of 2020.

Finance income

Finance income in Q1 2021 amounted to PLN 68,000 (-95.7%). The drop is related to a decrease in deposits interest rates almost to 0%.

Finance costs

In Q1 2021 finance costs amounted to PLN 2,502,000 and were lower by 14.0% than the costs in the same period of 2020.

As at 31 March 2021 total debt of the Group amounted to PLN 10,239,000, compared the Group's debt of PLN 13,307,000 as at 31 March 2020 (which refers to the subsidiary – Łęczyńska Energetyka sp. z o.o.).

Profit before taxation

In Q1 2021 the Group recorded pre-tax profit of PLN 62,068,000 compared to pre-tax profit of PLN 43,563,000 in Q1 2020.

Net profit for the reporting period

In Q1 2021 the Group achieved net profit of PLN 50,307,000 compared to the profit of PLN 33,668,000 in Q1 2020.



Balance sheet of the LW Bogdanka Group

Balance sheet

[PLN '000]	31 Dec. 2020	31 Mar. 2021	Change
Total assets	4,375,263	4,436,669	1.4%
Return on Assets (ROA)*	1.7%	2.0%	0.3 p.p.
Non-current assets	3,763,945	3,716,042	-1.3%
Current assets	611,318	720,627	17.9%
Equity	3,299,827	3,350,134	1.5%
Return on Equity (ROE)*	2.2%	2.7%	0.5 p.p.
Provisions and liabilities	1,075,436	1,086,535	1.0%

* the calculations include net result for the last four quarters and an average level of assets and equity (as at 31 March 2021 + as at 31 December 2020)/2

Assets

The balance-sheet total as at 31 March 2021 compared to the value as at 31 December 2020 went up by PLN 61,406,000 and amounted to PLN 4,436,669,000, with non-current assets going down by PLN 47,903,000 and current assets going up by PLN 109,309,000. As far as non-current assets are concerned, the change of greatest importance is the drop in the value of property, plant and equipment by PLN 46 million. Within current assets, the most important change is the increase in the value of trade and other receivables by 18.4% and the increase in the value of inventories by 40.0%. As at 31 March 2021 the ROA figure was 2.0%, while as at the end of 2020 it was 1.7%.

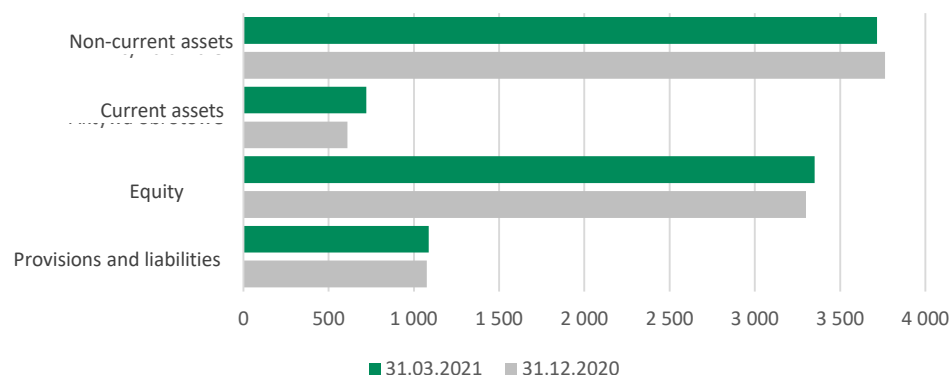
Equity and liabilities

The equity went up by 1.5%. It was solely an effect of the comprehensive income generated for Q1 2021.

Provisions and liabilities went up by 1.0% compared to the value as at 31 December 2020, with current liabilities going up by 6.7% (main increase in the current income tax and increase in provisions for employee benefits), while non-current liabilities went down by 1.8% (mainly due to liabilities on account of the deferred income tax).

At 31 March 2021 an increase in ROE was recorded (by 0.5 p.p.) compared to the end of 2020. The value of the ratio as at 31 March 2021 was 2.7% compared to 2.2% as at 31 December 2020.

Analysis of the consolidated statement of financial position



Cash flow LW Bogdanka Group

Cash flow

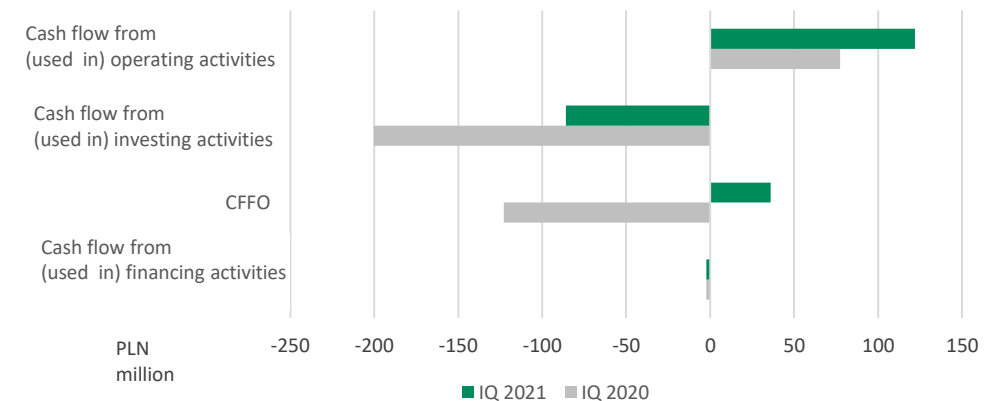
[PLN '000]	Q1 2020	Q1 2021	Change
Cash flow from (used in) operating activities	77,349	121,940	57.6%
Cash flow from (used in) investing activities	-200,190	-85,897	-57.1%
CFFO*	-122,841	36,043	-
Cash flow from (used in) financing activities	-2,198	-2,217	0.9%

*total cash flow from operating and investing activity

In Q1 2021 the Group generated net cash flow from operating activities higher by 57.6% than in Q1 2020. In 2021 it amounted to PLN 121,940,000 compared to PLN 77,349,000 a year before. The increase by PLN 44,591,000 in cash flow from operating activities is primarily related to the increase in the net profit and changes in the working capital.

Cash flow from investing activities decreased (in absolute terms) in Q1 2021 by 57.1% (to PLN -85,897,000) compared to the same period in 2020. Main reason for the situation are lower expenses on acquisition of non-current assets.

In Q1 2021 the Group recorded negative flow from financing activity in the amount of PLN -2,217,000 (repayment of loans and payment of liabilities under lease agreements).



Debt and liquidity ratios LW Bogdanka Group

The Group 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. 2020	31 Mar. 2021	Change
Overall debt ratio (ratio of total liabilities to total assets)	24.6%	24.5%	-0.1 p.p.
Ratio (debt plus employee liabilities)/EBITDA	0.49	0.49	0.0%
Net debt ratio/EBITDA*	-0.49	-0.52	6.1%
Debt to equity ratio ratio of total liabilities to equity	32.6%	32.4%	-0.2 p.p.
Fixed capital to non-current assets ratio (non-current assets/fixed capital)	101.0%	103.3%	2.3 p.p.
Current debt ratio (current liabilities/equity and liabilities)	8.2%	8.7%	0.5 p.p.
Non-current debt ratio (non-current liabilities/equity and liabilities)	16.3%	15.8%	-0.5 p.p.

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

	31 Dec. 2020	31 Mar. 2021	Change
Current liquidity ratio	1.73	1.92	11.0%
Quick liquidity ratio	1.47	1.58	7.5%

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

Overall debt ratio

The overall debt ratio as at 31 March 2021 went down by 0.1 p.p. compared to 31 December 2020 and reached 24.5% - the increase in assets was higher than the change in liabilities.

The level of the Group's debts as at 31 March 2021 did not pose any risk to the Group's operation and its ability to settle liabilities in a timely manner. The Group's financial needs are subject to medium-term and long-term analyses in order to secure liquidity and cash at proper levels.

Ratio (debt plus employee liabilities)/EBITDA

The ratio describing debt to EBITDA at the end of Q1 2021 did not change its value comparing with the balance as at the end of 2020 and was 0.49. When comparing data as at 31 March 2021 to 31 December 2020, debt showed an increase while EBITDA dropped (cumulatively for four quarters).

Ratio net debt/EBITDA

The ratio describing the relation of net debt (the total of current and non-current liabilities less cash and equivalents) to EBITDA increased from -0.49 as at 31 December 2020 to -0.52 as at 31 March 2021. The value of net debt dropped by ca. PLN 32 million and amounted to PLN -263 million with EBITDA going up by ca. PLN 35 million (EBITDA cumulatively for the last four quarters).

Debt to equity ratio

Debt to equity ratio as at 31 March 2021 decreased in relation to 31 December 2020 by 0.2 p.p. and was 32.4% - liabilities and provisions grew by ca. PLN 11 million along with an increase in equity by ca. PLN 50 million.

Fixed capital to non-current assets ratio

The fixed capital to non-current assets ratio was 103.3% (as at 31 March 2021) compared to 101.0% (as at 31 December 2020) - in the analysed period the value of non-current assets dropped by approx. PLN 48 million; fixed capitals (equity plus non-current liabilities less provisions) increased by approx. PLN 37 million.

Turnover ratios at the LW Bogdanka Group

Turnover ratios

			31 Dec. 2020	31 Mar. 2021	Change
1. Inventory turnover	$\frac{\text{average inventories}}{\text{costs of goods, products and materials sold}} \times$	days in the period	23	24	4.3%
2. Debtors collection rate*	$\frac{\text{average receivables}}{\text{revenue}} \times$	days in the period	51	46	-9.8%
3. Creditors payment rate**	$\frac{\text{average liabilities}}{\text{costs of goods, products and materials sold}} \times$	days in the period	72	63	-12.5%
4. Operating cycle	1+2		74	70	-5.4%
5. Cash conversion cycle	4-3		2	7	250.0%

* Trade and other receivables

** Trade and other liabilities

Inventory turnover

The inventory turnover as at 31 March 2021 went up to 24 days, compared 31 December 2020. Disposal of inventories takes on average 1 day more.

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 31 March 2021), compared to 51 days (as at 31 December 2020). In the period under analysis, average receivables increased by approx. PLN 24 million, with an increase in revenue.

Creditors payment rate

The creditors payment rate (calculated on the basis of the balance sheet item "Trade and other liabilities") got shorter by 9 days to ca. 63 days, as compared to the figure as at the end of 2020. In the analysed period the Group had a lower average level of current trade liabilities (by approx. PLN 4 million).

Operating cycle

The operating cycle for current assets (a sum of inventory turnover and debtors collection rate) in the analysed period shortened by 4 days to 70 days. On average after 70 days, the Group's current assets are converted into cash.

Cash conversion cycle

The consequence of the above trends, the cash conversion cycle as at 31 March 2021 was 7 days. The positive value of the cash conversion cycle means that the Group does not use trade credit.

Provisions of the LW Bogdanka Group

Balance-sheet provisions

[PLN '000]	As at 31 Mar. 2020	As at 31 Dec. 2020	As at 31 Mar. 2021	Change Q1 2021/ 31 Dec. 2020	Change Q1 2021/ Q1 2020
Employee provisions	199,346	215,327	235,407	9.3%	18.1%
Provision for real property tax	10,457	-	-	-	-100.0%
Provision for the mine closure costs and land reclamation	172,047	212,456	212,191	-0.1%	23.3%
Mining damage	2,104	2,579	2,424	-6.0%	15.2%
Other	12,837	4,735	7,603	60.6%	-40.8%
Total	396,791	435,097	457,625	5.2%	15.3%

The total provisions as at 31 March 2021 amounted to PLN 457,625,000, which means an increase by 5.2% compared to the value as at 31 December 2020.

Change in provisions

[PLN '000]	Change Q1 2020	Change Q1 2021	Change IQ 2021/IQ 2020
Employee provisions	7,381	20,080	172.0%
Provision for real property tax	151	0	-100.0%
Provision for the mine closure costs and land reclamation	412	-265	-164.3%
Mining damage	-45	-155	244.4%
Other	600	2,868	378.0%
Total	8,499	22,528	165.1%

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

[PLN '000]	Change of provisions in Q1 2021	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 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	20,080	29,572	657	-	-	-10,149
Provision for the mine closure costs and land reclamation	-265	934	755	-1,954	-	-
Mining damage	-155	-	-	-	-	-155
Other	2,868	3,055	-	-	-	-187
Total	22,528	33,561	1,412	-1,954	-	-10,491



Costs of LW Bogdanka S.A.

Costs by type

[PLN '000]	Q1 2020	Q1 2021	Change
Net production ['000 tonnes]	2,066	2,612	26.4%
Sales ['000 tonnes]	1,918	2,383	24.2%
Depreciation/amortisation	87,212	102,920	18.0%
Materials and energy consumption	126,318	117,700	-6.8%
Outsourced services	119,362	120,186	0.7%
Employee benefits	147,750	156,846	6.2%
Entertainment and advertising costs	3,181	2,912	-8.5%
Taxes, fees and charges	13,198	15,409	16.8%
Other costs	524	854	63.0%
Total costs by type	497,545	516,827	3.9%
Cost of own work	-73,872	-39,533	-46.5%
Accruals and deferrals	20,159	17,816	-11.6%
Value of coal obtained from excavations	-12,812	-18,754	46.4%
Provisions and other presentation adjustments between costs by type and by function	19,285	32,688	69.5%
Total production cost	450,305	509,044	13.0%
Change in products	-31,797	-35,012	10.1%
Costs of goods and materials sold	3,362	3,269	-2.8%
Own cost of sales, including:	421,870	477,301	13.1%
Cost of products, goods and materials sold	382,928	435,073	13.6%
Selling costs	7,950	8,968	12.8%
Administrative expenses	30,992	33,260	7.3%

Q1 2021

In Q1 2021, LW Bogdanka S.A. incurred costs by type in the amount of PLN 516,827,000 (PLN +19,282,000 y/y), i.e. by 3.9% higher than in Q1 2020. The increase in costs noted in Q1 2021 was largely influenced by higher depreciation/amortisation and employee benefits. The increase was compensated by a drop in costs of materials and energy consumption.

The value of depreciation/amortisation went up by 18.0% (to PLN 102,920,000) – the value of depreciation of non-current assets went up (PLN +7.8 million) and natural depreciation went up - as a result of higher progress of the walls (PLN +8.6 million).

The total value of materials and energy consumption decreased by 6.8% compared to the first quarter of 2020, and amounted to PLN 117,700,000.

In the period under analysis the value of used materials dropped while the costs of electric energy went up (the increase in consumption of energy and heated water for the purpose of central heating and hot usable water).

Compared to Q1 2020, the value of outsourced services in Q1 2021 went up from PLN 119,362,000 to PLN 120,186,000 (+0.7%). In the period under analysis, the Company recorded increases in costs of services related to mining & drilling and excavation works on working days and on Sundays and holidays (PLN +11.7 million), costs of service of stone removal for land reclamation (PLN +3.7 million) and other costs (PLN +1.0 million) with a drop in mining & drilling (drilling and reconstructions).

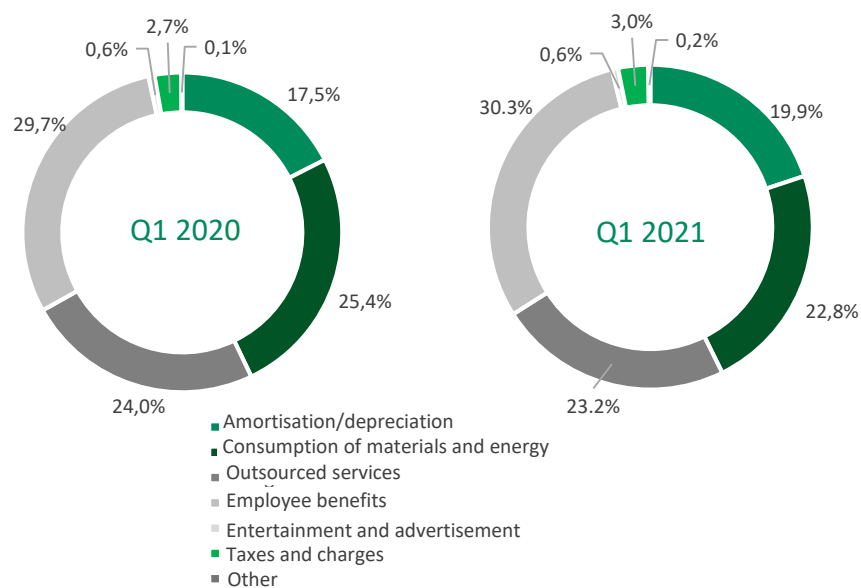
In Q1 2021, compared to Q1 2020, the value of employee benefits increased by PLN 9,096,000. In Q1 2021 the employees were paid awards (approx. PLN 6.2 million) as well as pay rises of 2020 which give a visible effect in costs of remunerations of Q1 2021.

A drop in the value of hospitality expenditure and advertising costs by 8.5% is a consequence of tranche payment schedules.

The increase in taxes and charges by approx. PLN 2.2 million is primarily attributable to an increase in the service charge and the real property tax.

Costs of LW Bogdanka S.A.

Costs by type



In Q1 2021 (compared to the same period of the previous year) the share of depreciation/amortisation, employee benefits, taxes and charges and other costs went up (to 19.9%, 30.3%, 3.0% and 0.2%, respectively). Concurrently drop was recorded in the share of materials and energy consumption (to 22.8%) and outsourced services (to 23.2%). Between 1 January 2021 and 31 March 2021 the consumption of materials and energy, outsourced services as well as employee benefits accounted for more than 76% of costs, while in 2020 the figure was 79.1%.

Having adjusted costs by type of the change in products and accruals and deferrals, the costs of own work and the costs of goods and materials sold, we obtain own selling cost which for Q1 2021 amounted to PLN 477,301,000. As compared to the previous year, it is higher by 13.1% (with a simultaneous year-to-year increase by 26.4% y/y in the amount of net production).

Costs by function



Costs by function

The cost of own production sold (by function) in Q1 2021 amounted to PLN 477,301,000 while in the analogous period of the previous year, it was PLN 421,870,000.

[PLN '000]	Q1 2020	Q1 2021	Change
Cost of products, goods and materials sold	382,928	435,073	13.6%
Selling costs	7,950	8,968	12.8%
Administrative expenses	30,992	33,260	7.3%
Own cost of sales	421,870	477,301	13.1%

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 Łęczyńska Energetyka), plus cash held as well as available debt financing in the form of overdraft, 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 a portion of free funds with banks.

As at the moment of preparing the information, there is a risk related to the developing epidemic of SARS-Cov-2 coronavirus causing the COVID-19 disease. At present the Management Board finds it impossible to forecast the results of this situation both in the scale of Poland and the industry, and in consequence - impossible to state how it will affect operating and financing activity of the Company in subsequent quarters.

Suppliers

The granting of contracts by entities conducting business activities involving mining hard coal for the purpose of conducting those business activities is subject to the provisions of law on sectoral public contracts. At the LW Bogdanka Group all procurement orders above the thresholds, as defined in the Public Procurement Law, are granted in compliance with the procedures specified in the abovementioned Act. Other orders are made based on procedures applied at the Group. The principal suppliers for the LW Bogdanka Group include mainly companies that provide services and offer products characteristic for mining industry (drilling and reconstructions of workings, output dump, as well as supply of support systems for longwall galleries, specialist mining machines and equipment) and ones that provide electricity. Between 1 January and 31 March 2021, the value of the turnover with any supplier did not exceed 10% of the Group's total revenue.

Investments and capital investments of LW Bogdanka Group

The value of cash held by the Group as at the end of March 2021 stood at PLN 416,662,000, of which:

- PLN 141,226,000 disclosed in non-current assets,
- PLN 275,436,000 is disclosed in current assets.

The amount of PLN 141,226,000 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 275,436,000 includes financial resources (available cash) a portion of which is kept in bank deposits. 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 245,695,000, while the funds accumulated at subsidiaries amount to PLN

29,741,000 (primarily to Łęczyńska Energetyka).

Assessment of factors and untypical events affecting the operating profit

1. The coronavirus (SARS-Cov-2) epidemic continuing from 2020 and causing COVID-19 still has a significant impact on the economy, both in Poland and internationally. It is still necessary for the government to take measures counteracting the epidemic and introduce other restrictions which affect the condition of the economy. The said measures and influences may be observed on the example of the third wave of the coronavirus, which took place in Q1 and at the beginning of Q2 2021. The circumstances described above did not, however, materially impacted Group's operations in 2020. Very good production results which translated into the financial result in Q1 2021 were achieved thanks to the intense work of employees and optimized wall run system and timetable in the period of higher coal demand.

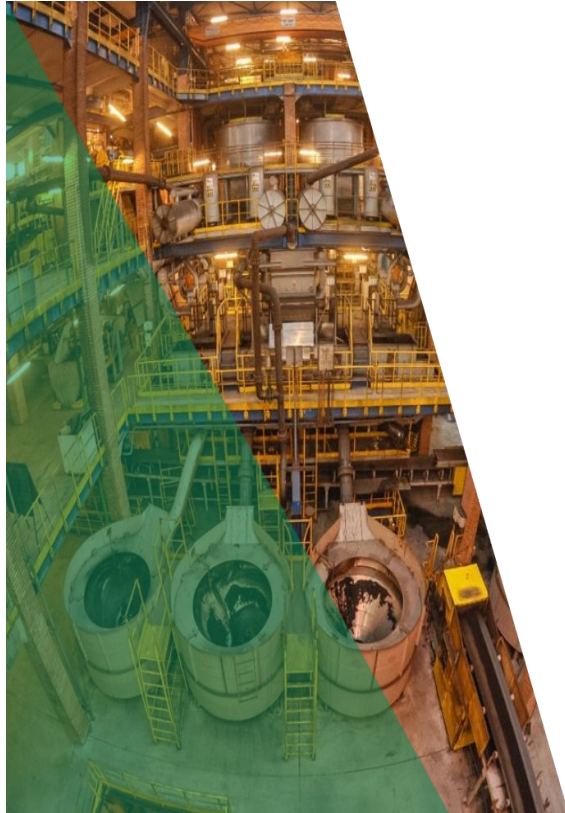
However, bearing in mind the risks posed by COVID-19, the Group continues to apply proper security and other measures to counteract the negative impact of COVID-19 on Group's operations and financial results. These measures include, in particular, personal protection equipment, keeping distance, proper work organisation, use of shift work or home office where possible, and suitable technical resources facilitating prophylaxis. The Group's Management Board hopes that it will soon be possible for the Group to participate in vaccination programme run in places of employment (the Group has already declared its wish to be a part of the programme).

2. On 28 April 2021 a plenary meeting was held by the parties (social side, ministerial side, employers) participating in works aimed at reaching an agreement about the Social Agreement concerning hard coal mining in Poland. During the meeting, the parties initialed the final wording of the concerted Social Agreement. Representatives of the

Parent participated in the meeting by way of videoconference and did not formally initialed the Social Agreement along other parties. However, it shall be noted that the Social Agreement includes provisions which could potentially affect the Parent should a decision to close it and enter the so-called Support System be made in the future. At present, particularly due to financial results and operating efficiency, the Parent remains directly unaffected by the Social Agreement and the planned restructuring of the hard coal mining sector.

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

In Q1 2021 no material off-balance sheet items occurred.



Information on financial instruments, bonds

Information on derivative financial instruments

As at 31 March 2021, the Parent held two open fx forward derivative transactions. Both transactions have been concluded with a bank for the purpose of securing the currency exchange risk for cash flows resulting from trade contracts of the Parent. The total value of the concluded fx forward transactions was USD 9.465 million. Both transactions were settled down in April 2021.

Bonds

As at 31 March 2021 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 providing this Report, LW Bogdanka S.A. sees no threat as to the possibility to acquire additional debt financing, however it indicates that the costs of acquiring the debt as well as the servicing thereof may be higher than currently.

Position of the Management Board of LW Bogdanka S.A. regarding the possibility to achieve previously published projections of results for the year in question in light of the results presented in the consolidated quarterly report as compared to the projected results
LW Bogdanka S.A. did not publish projections of financial results for 2021.

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

Condensed interim consolidated financial statements of the LW Bogdanka Group and condensed interim consolidated financial statements of LW Bogdanka S.A. for the first half of 2021 were prepared in accordance with International Accounting Standard 34 - "Interim Financial Reporting" as endorsed by the European Union.

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

As of the date of preparing the Directors' Report on Operations of the Group for Q1 2021 LW Bogdanka S.A. and its subsidiaries were not parties to significant proceedings pending before a court, a relevant authority for arbitration proceedings or a public administration authority, concerning liabilities and receivables of the Company or its subsidiary.

Agreements concerning loans and borrowings

Information on loans granted

In Q1 2021 the Company did not contract or grant any loans or terminate any agreements concerning loans.

Information on sureties and guarantees provided and received

In Q1 2021, the LW Bogdanka S.A. did not grant (or receive) any sureties.

Transactions with related entities

In Q1 2021 the Parent and its subsidiaries did not conclude transactions with related entities which would be individually or jointly significant and would be concluded on a basis other than an arm's length basis.

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

For more information about agreements with the Enea Group and companies controlled by the State Treasury see Note 11 of the Consolidated Quarterly Report of the LW Bogdanka Group for three months ended on 31 March 2021.

Guarantees granted by LW Bogdanka S.A.

In Q1 2021, the LW Bogdanka S.A. did not order banks to issue guarantees.

Guarantees received by LW Bogdanka S.A.

As at 31 March 2021, LW Bogdanka S.A. did not order banks to issue guarantees.

Contracted loans

In Q1 2021 LW Bogdanka S.A. had an active loan agreement. On 12 May 2020, the Parent's Management Board entered with Bank Gospodarstwa Krajowego S.A. into a revolving overdraft facility agreement with a limit of PLN 150 million. The facility is a revolving overdraft facility and serves for financing the on-going operations of the Parent; it bears interest based on 1M WIBOR 1M + margin. The agreement was concluded for the period of 12 months and is scheduled for repayment by 12 May 2021. On 11 May 2021 annex to the abovementioned agreement was signed, under which the period of availability lengthened to 12 May 2022.

Agreements concerning the subsidiaries' loans and borrowings

Łęczyska 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, between 1 January and 31 March 2021 Łęczyska Energetyka sp. z o.o. did not use any third-party financing for its operations.

In Q1 2021 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

Shareholding structure

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

Share capital structure

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

On 4 January 2012, a total of 3,208,111 employee shares were introduced to the Warsaw Stock Exchange, and further 34,754 employee shares were introduced on 4 February 2013.

The Company's public float totals 34,013,455 shares. As at the date of publishing this Report, the remaining 135 shares are registered shares.

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

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

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

Treasury shares

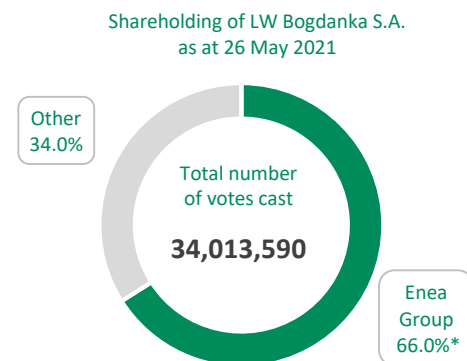
In Q1 2021 LW Bogdanka S.A. and subsidiaries of LW Bogdanka S.A. did not acquire any treasury shares of the Company.

Changes in the shareholding structure by the date of the Report

According to the information of the Parent, no changes in the ownership structure of significant blocks of shares have occurred in the period from the publication of the previous periodic report for 2020 to the day of publication of the Report for Q1 2021.

Shareholding structure

The graph below shows a shareholding structure of the Company as at 26 May 2021.

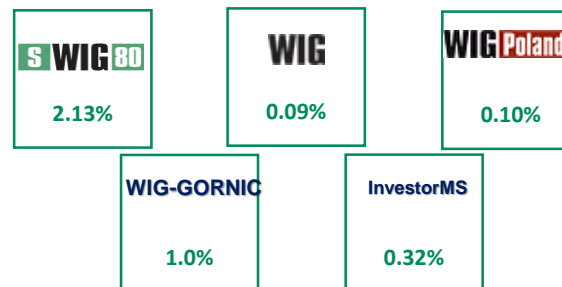


* Enea S.A. holds 64.6% of votes, and jointly with its subsidiary, Enea Wytwarzanie, it holds 66.0% of votes.

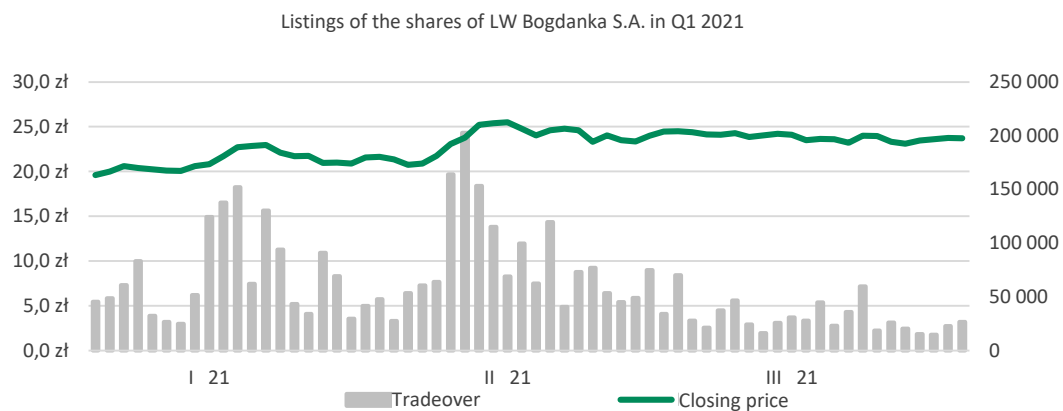
Participation of the LW Bogdanka S.A.'s shares in indices

The Company was first listed on the Warsaw Stock Exchange on 25 June 2009. During Q1 2021, 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
- sWIG80 – includes 80 small-size companies listed on the WSE Main Market
- 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).



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



Key share indicators:	Q1 2019	Q1 2020	Q1 2021
Maximum price [PLN]	56.50	36.50	25.50
Minimum price [PLN]	44.60	14.90	19.60
Last price [PLN]	47.55	17.90	23.70
Average price [PLN]	52.31	25.02	22.87
Capitalisation at end of period [PLN million]	1,617.3	608.8	806.1
Book value [PLN million]	3,037.9	3,262.2	3,324.5
Price/earnings ratio	15.1	18.1	16.4
Price/book value	0.5	0,2	0,2
Rate of return at end of period [%]	-8.6	-49.4	21.7
Dividend rate [%]	-	-	-
Average turnover per session [PLN '000]	1,095.6	980.5	1,372.2
Average volume per session	22,643	49,099	59,707
Number of shares in float [no. of shares]	34,013,590	34,013,590	34,013,590

Analysts' recommendations

Date of Issue	Institution Recommendation	Target price	Price on the date of issue
11 February	Erste Group	Buy	PLN 29.20
			PLN 25.20

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



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

Shares in related entities of the Company

Members of the Management Board and the Supervisory Board of LW Bogdanka S.A. 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.

According to the information of the Parent, no changes in the holdings of LW Bogdanka S.A. shares by management and supervisory staff have occurred in the period from the publication of the previous periodic report for 2020 to the day of publication of the Report for Q1 2021.

Holdings of shares in LW BOGDANKA S.A. as well as shares in related undertakings of the Company by the management and supervisory staff of LW BOGDANKA S.A. *

Name and surname	MANAGEMENT BOARD					
	The number of the Company shares as of 26 May 2021	Par value of the shares (PLN)	The number of the Company shares as of 24 March 2021	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	
Name and surname	SUPERVISORY BOARD					
	Number of the Company's shares as at 26 May 2021	Par value of the shares (PLN)	Number of the Company's shares as at 24 March 2021	Par value of the shares (PLN)	Number of shares in subsidiary companies	
Anna Chudek	0	0	0	0	0	
Iwona Golden	0	0	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	0	0	
Bartosz Rożnawski	0	0	0	0	0	
Michał Stopyra	0	0	0	0	0	
Grzegorz Wróbel	0	0	0	0	0	
TOTAL	Number of the Company's shares as at 26 May 2021	Par value of the shares (PLN)	Number of the Company's shares as at 24 March 2021	Par value of the shares (PLN)	Number of shares in subsidiary companies	
	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 26 May 2021



Artur Wasil
 President of the Management Board

Graduated in 2002 from the Faculty of Mining at the AGH University of Science and Technology in Krakow, with a degree in Mining and Geology, specialising in Mining Geotechnics. In 2002 he joined Lubelski Węgiel Bogdanka S.A. where he went through the levels of professional career from a trainee to a team foreman of extraction brigade. In 2012 Mr Wasil started work at PRG Linter S.A. where he performed the role of Mining Director, and in 2014 was appointed to the position of the President of the Management Board. Mr Artur Wasil also holds a post-graduate diploma in European Project Management and EU Law obtained at the Marie Curie-Skłodowska University in Lublin. On 21 March 2018 he took the position of the President of the Management Board of LW Bogdanka S.A.



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

He graduated from the Lublin University of Technology in 1998 with a degree in Management and Marketing. In 2000 he completed postgraduate studies in Corporate Finance and Capital Market. In 2003 he graduated with a Master of Business Administration degree from Warsaw University & University of Illinois. He has participated in multiple training courses in the domains of finance and reporting according to the International Financial Reporting Standards (IFRS/IAS). He is a Member of Supervisory Boards of companies. In 1998-2000, he worked as a financial analyst at a consultancy firm DEMOS Sp. z o.o., gaining experience in the scope of analysis and price estimation of enterprises, consulting implementations of efficiency solutions, preparing privatisation reports for the Polish Ministry of Treasury. Since 2000 he has been part of Lubelski Węgiel BOGDANKA S.A. Within the Company, he has climbed the career ladder from Financial Analyst, Manager of Planning and Analysis to Chief Economist. Since 2013 he served as the Controlling Director and in 2018 he took the position of Controlling and Finance Director. Since October 2018, Vice-President of the Management Board, Economic and Financial Affairs of LW Bogdanka S.A.



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

He obtained an M.Sc. degree from the Lublin University of Technology where he studied computer science application in engineering. He also completed post-graduate studies at the University College of Enterprise and Administration in Lublin with major in finance and accounting. He has completed a number of training courses in the following fields: audit, responsibility and competence of management personnel, finance for managers, as well as courses for members of management boards and supervisory boards of companies. He has been with LW Bogdanka since 1985. From June 2014 he held the position of the Deputy Chairman of the "Solidarity" Trade Union. Between 2007 and 2014 he was a shift foreman responsible for electrical equipment underground. Between 2006 and 2012 he was a member of the Supervisory Board of LW Bogdanka S.A. On 1 April 2016 he became Vice-President of the Management Board, Employee and Social Affairs at LW Bogdanka S.A.



Dariusz Dumkiewicz
 Vice-President of the Management Board,
 Development

Graduate of the Faculty of Law and Administration at the Marie Curie Skłodowska University in Lublin, from which he graduated in 2002 with a degree in law. He has also completed postgraduate programme in "Project Management and EU Law" arranged by UMCS and the Lublin Development Foundation. In 2018 he completed his Master of Business Administration degree at the Lublin University of Technology. Mr Dariusz Dumkiewicz has 16 years' work experience in leading development and investment projects. From 2002 to 2006 he was employed in managerial positions at the City Council of Lublin, where he managed EU-financed projects. In 2006 he performed the role of advisor to the Minister in the Ministry of Labour and Social Policy as well as an expert in the area of Development of Eastern Poland in the Ministry of Development. In 2007 he was made Director of the Department of Strategy and Development in the Marshall's Office of the Lublin Province. He was responsible for negotiations with the European Commission and financing strategic infrastructure investment projects for the province. Since 2008 he was a Member of the Management Board, Vice-President of consulting firms that provide advice to enterprises, primarily in the energy sector. In 2016 he took the position of Head of Lublin Branch of PSG sp. z o.o., the distributor of natural gas in the Górnictwo Naftowe i Gazownictwo S.A. Group. Since 15 October 2018 - Vice-President of the Management Board responsible for Development at LW Bogdanka S.A.

Composition of the Supervisory Board of LW Bogdanka S.A. as at 26 May 2021

- **Anna Chudek** - Chairperson of the Supervisory Board
- **Marcin Jakubaszek** - Deputy Chairman of the Supervisory Board
- **Szymon Jankowski** - Secretary of the Supervisory Board
- **Dariusz Batyra** - Member of the Supervisory Board
- **Krzysztof Gigol** - Member of the Supervisory Board
- **Iwona Gołden** - Member of the Supervisory Board
- **Bartosz Rożnawski** - Member of the Supervisory Board
- **Michał Stopyra** - Member of the Supervisory Board
- **Grzegorz Wróbel** - Member of the Supervisory Board

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.

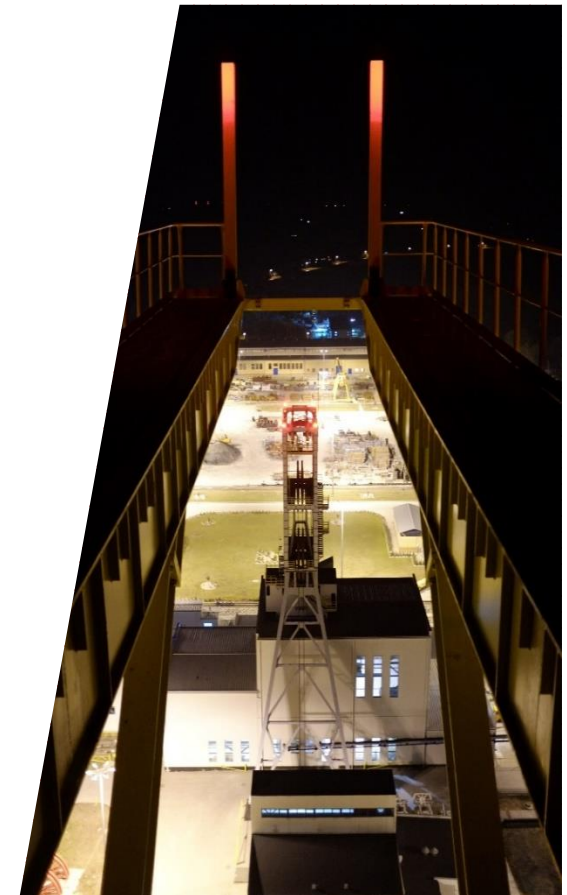
He has experience in supervising companies in the energy, service and IT sectors. He has seated in Supervisory Boards in such companies as Enea Operator Sp. z o.o., Enea Centrum Sp. z o.o., BHU S.A., Energetyka Poznańska Zakład Transportu Sp. z o.o., and ITSERWIS Sp. z o.o. He has been the Secretary at the Supervisory Board of LW Bogdanka S.A. since February 2016.

Dariusz Batyra

Graduate of the Mining School Complex and the Mining Technical School in Ostrów Lubelski as well as the AGH University of Science and Technology in Krakow, with a degree in Mining and Geology,

specialising in Underground Mining.

He has been related to LW Bogdanka since 2001 and is currently employed as Underground Chief Mining Foreman, Deputy Manager of Mining Department in the Nadrybie Field.



Composition of the Supervisory Board of LW Bogdanka S.A. as at 26 May 2021

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 Jakubaszek 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 Mining Department in the Stefanów Field, Deputy of the HMSMF.

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
- **GRI** – Global Reporting Initiative
- **Audit Committee** – a team within the Supervisory Board responsible for overseeing the company's financial reporting
- **PTE** – Technical and Business Plan
- **LWB** – Lubelski Węgiel Bogdanka S.A.
- **IFRS** – International Financial Reporting Standards as endorsed by the European Union
- **Extraordinary General Shareholders Meeting** – Extraordinary General Shareholders Meeting of LW Bogdanka S.A.
- **NFOŚiGW** – National Environmental Protection Fund
- **OUG** – Regional Mining Authority
- **PFRON** – the National Fund for the Disabled
- **PGG** – Polska Grupa Górnicza (Polish Mining Group)
- **Supervisory Board of LWB** – Supervisory Board of LW Bogdanka S.A.
- **Gross margin on sales** – the rate of return on sales calculated by dividing the profit by the volume of sales
- **EBITDA margin** – operating profit plus depreciation and amortization to total revenue
- **EBIT margin** – ratio of EBIT calculated for a period and the revenue from the sales of the period
- **Gross margin** – ratio of gross profit (before taxes) and net sales
- **Net margin** – ratio of net profit and net sales
- **Return on Assets (ROA)** – ratio of a company's net profit to the value of its assets
- **Return on Equity (ROE)** – ratio of net profit to equity
- **Respect Index** – an index of socially responsible companies
- **SIN** – Non-Financial Information Standard
- **SRK** – Spółka Restrukturyzacji Kopalń S.A.
- **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, 26 May 2021



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