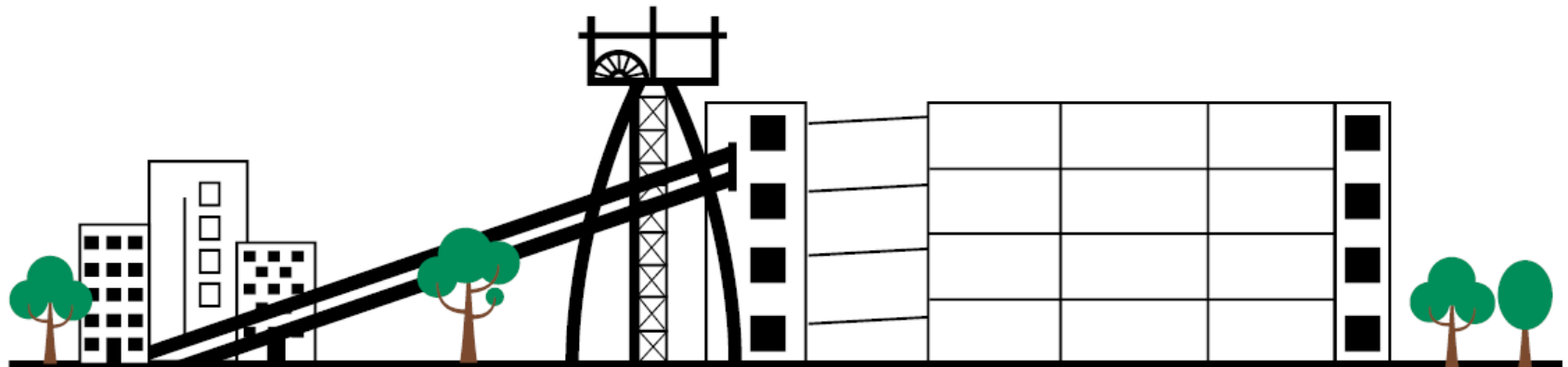


Directors' Report on Operations of the LW Bogdanka Group for the first half of 2021





**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

18.4%

Share in the thermal coal market

22.4%

Share in the supplies of coal to the
commercial power sector

28.4%

1. Summary of Operational Activities	4-6
Key events in the first half of 2021	5-6
2. Organisation and business activities of the LW Bogdanka Group	7-29
Structure of the Group	8-9
Development strategy of the Group	10-11
Investment projects	12-13
Business environment	14-18
Managing risk	19-25
Employment	26
CSR	27-29
3. Financial standing	30-45
Production, sales and inventories of coal	31
Revenue and key customers of the LW Bogdanka Group	32
Financial highlights of the LW Bogdanka Group	33-34
Balance sheet of the LW Bogdanka Group	35
Cash flow of the LW Bogdanka Group	36
Economic indicators of the LW Bogdanka Group	37-38
Provisions of the LW Bogdanka Group	39
Costs of LW Bogdanka S.A.	40-42
Other information with influence on the financial standing of the LW Bogdanka Group	43
Information on financial instruments, bonds	44
Agreements concerning loans and borrowings	45
4. Shares and shareholding	46-49
Share capital structure and shareholding at the Parent	47

Price performance of the shares of LW Bogdanka S.A. on the WSE and analysts recommendations	48
Holdings of shares in LW Bogdanka S.A. by members of the Parent's governing bodies	49

5. Governing bodies	50-53
Management Board of the Parent	51
Supervisory Board of the Parent	52-53
Glossary	54-55





1

Summary of operations

Operating data of the LW Bogdanka Group

Gross coal extraction – 6.9 million tonnes

Production of commercial coal – 4.9 million tonnes

Yield – 71.6%

Sale of commercial coal – 4.6 million tonnes

New excavations – 10.4 km

Employment at the LW Bogdanka Group

Headcount at the end of H1 2021 – 5,799 FTJs

Increase in headcount comparing to 2020 – 1.6%

Financial data of the LW Bogdanka Group

Revenue – PLN 1,046.6 million

Profit on sales – PLN 117.3 million

EBIT – PLN 116.2 million

EBITDA – PLN 329.8 million

Net profit – PLN 91.4 million



Key events in the first half 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 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.

Q2 2021 and events until the publication date

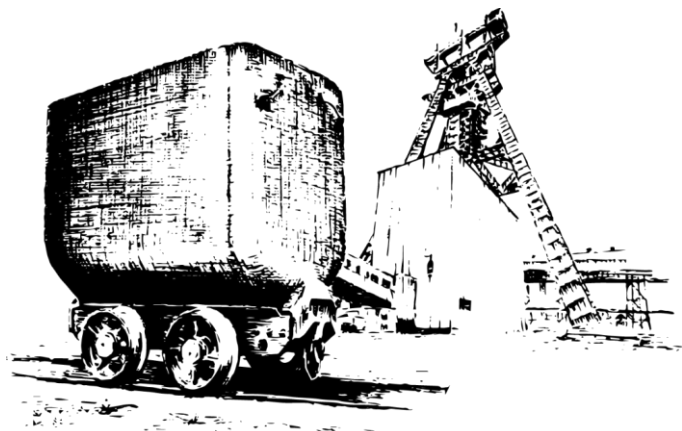
- conclusion of an Additional Agreement and an Annex to the Long-term Agreement with ENEA Wytwarzanie Sp. z o.o.
- recommendation of the Management Board regarding the allocation of profit for 2020 to the Company's reserve capital
- Extraordinary General Shareholders Meeting – changes in the composition of the Supervisory Board
- Annual General Shareholders Meeting
- conclusion of another Additional Agreement and an Annex to the Long-term Agreement with ENEA Wytwarzanie Sp. z o.o.
- conclusion of an Additional Agreement and an Annex to the Long-term Agreement with ENEA Połaniec S.A.
- conclusion of an Agreement with D. Trading International S.A. with registered office in Geneva for export of thermal coal to Ukraine





2

Organisation and business
activities of the LW Bogdanka
Group



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

Lubelski Węgiel Bogdanka Spółka Akcyjna

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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:

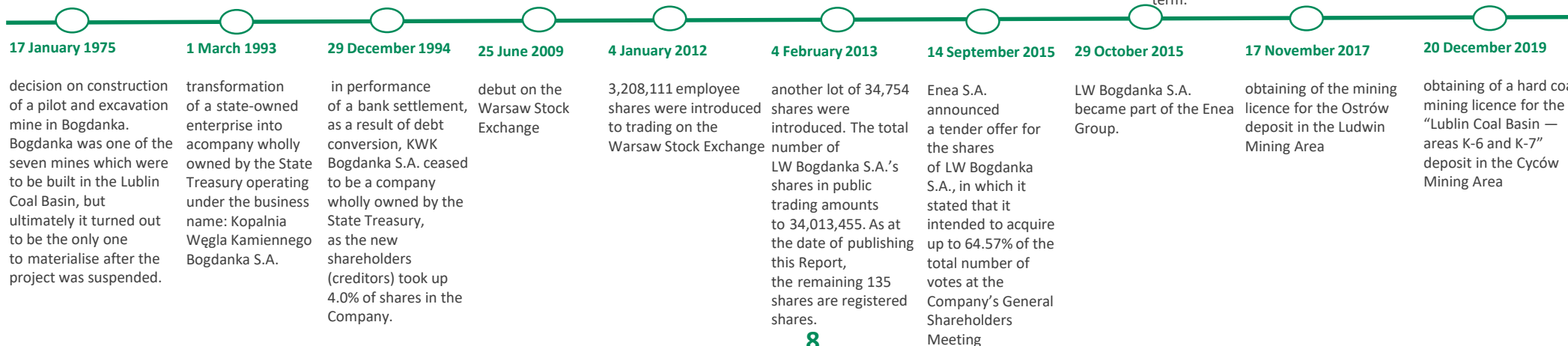
- Act of 15 September 2000 – Commercial Companies Code
- Act of 9 June 2011 – Geological and Mining Law

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

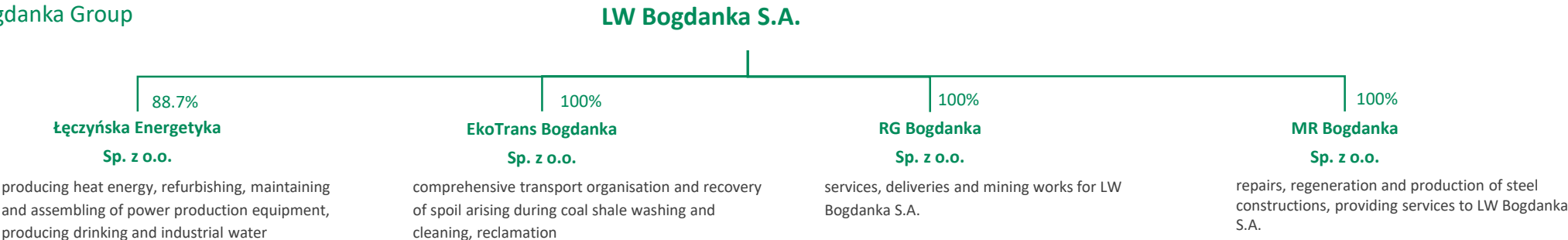
The Company may operate in Poland and abroad.

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 H1 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 remain 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:

- a. Increasing the number of products due to selective extraction (type 34);
- b. Broadening operating areas (diversification) – use of technical and human potential with a view to launching efficient initiatives outside of the core business;
- c. Identifying, recognizing and documenting new coal reserves (coking coal – type 35);
- d. Implementing own innovative solution programs (technical and technological, work safety) which allow competitive advantage to be maintained;
- e. 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 2023-2024 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 gradually 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 H1 2021

In H1 2021, LW Bogdanka S.A. performed the planned investment tasks. In this respect capital expenditures for non-current assets totalled PLN 135,197,000.

The plan for 2021 includes the following 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, longwall complexes and upgrade of a central air-conditioning system in the Stefanów Fields, etc.
- operating investments, including building and modernisation of workings in the Bogdanka, Nadrybie, Stefanów and Ostrów Fields, etc.

DEVELOPMENT AND REPLACEMENT INVESTMENTS LW Bogdanka S.A.

Maintenance of machinery

Purchase of new machinery and devices subject to assembly – in H1 2021 a diesel locomotive was purchased for PLN 279,000, and PLN 1,212,000 was spent mainly on made for the assembly of belt conveyors and sifters purchased in 2020.

Purchases of finished machines and equipment – the finished goods worth PLN 24,838,000 were purchased. The most important items included: ready-made transportation devices (including hoists, braking trolleys), hydraulic pumps and aggregates, electric devices (including motors, protection devices tester), other ready-made devices and manoeuvring locomotives.

Modernisation and renovations of machinery and equipment – PLN 4,219,000 for modernisation of the Panda device, belt conveyors and Scharf diesel locomotives.

Other development investments

Extension of the coal storage area – expenditure of PLN 2,567,000 on works related to extension of target land development and equipping commercial coal storage site.

Power, telecommunications and mechanical installations – PLN 748,000; 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 1,670,000. The investments included modernisation of control systems for main fans station, supply system and shaft signalling of hoist machine in shaft 1.3.

MCPD replacement projects – PLN 2,031,000 was assigned for further modernisation of steel structures and MCPD facade.

Construction and modernisation of facilities and installations related to core operations – PLN 11,948,000 – 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, extension of narrow gauge system in the Stefanów Field.

ICT – PLN 2,581,000 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.

Transport – PLN 422,000 was spent on purchase of passenger cars.

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 H1 2021 was approx. 9.1 km (total: 10.4 km) with the value of PLN 65,710,000.

Modernisation of workings with respect to reconstruction of galleries, vertical excavations and modernisation of storage reservoirs was performed in accordance with the adopted schedules, and its total value was PLN 16,815,000.

Investment projects completed in H1 2021

The LW Bogdanka Group companies incurred expenditure for non-current assets of PLN 1,928,000.

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

Łęczyńska Energetyka

Investment tasks completed in H1 2021 included projects related to production, transmission and distribution of heat. In H1 2021 the Company's capital expenditure totalled PLN 614,000.

RG Bogdanka, MR Bogdanka

In H1 2021 they incurred capital expenditure in the total amount of PLN 1,314,000. 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 H1 2021	Performance of PTE in H1 2021 [%]
New workings and upgrade of existing ones	297,846	82,525	27.7%
Maintenance of machinery	83,389	30,548	36.6%
Obtaining new licences	3,150	-	-
Longwalls	118,500	-	-
Other development investments	62,696	18,964	30.2%
ICT	17,034	2,581	15.2%
Administration	50	19	38.0%
Transport	140	422	301.4%
Other	7,301	138	1.9%
TOTAL CAPEX of LW Bogdanka S.A.	590,106	135,197	22.9%
Łęczyńska Energetyka Sp. z o.o.	5,262	614	11.7%
Other subsidiaries	2,323	1,314	56.6%
TOTAL CAPEX at the LW Bogdanka Group	597,691	137,125	22.9%

Capital expenditure for excavations in H1 2021

Excavations and works - total	Depreciation method	Length [m]	Value of the coal from the excavation s [PLN '000]	Total value of capital expenditure [PLN '000]	Value of capital expenditure [PLN '000]
Longwall excavations:	natural	8,311.3			
Basic excavations	linear	740.3	37,347	119,872	82,525
Reconstructions	linear / natural	931.5			

In H1 2021, 9,450 m of roadway excavations were made. Reconstruction of the excavations were continued in accordance with the schedules. The total expenditure on reconstruction of the galleries in that period amounted to PLN 16,815,000. The total expenditure incurred on the new workings and on the modernization of the existing ones amounts to PLN 65,710,000.

Fractions are not included in the values indicated in the tables, because they are directly recognised in the costs. However, fractions are included in the total length. In this case, this is about 398 m.

Coal prices on the international market

CIF ARA coal prices

- USD 89.6/tonne - the average coal price (CIF ARA) in Q2 2021, i.e. +64.4% compared to Q2 2020 (USD 48.9/tonne)
- comparing to the average coal price (CIF ARA) in Q1 2021, (USD 67.2/tonne), it's an increase by 33.3%
- average price in H1 2021 was USD 78.4/tonne, up by 71.6% y/y, (USD 45.7/tonne)

Inventories in ARA ports

- approx. 4.5 million tonnes of coal inventories at the end of June 2021 in ARA ports – as at the end of March 2021 the level was 3.6 million tonnes.

Prices in the world's main ports

- The average coal price FOB Baltic Ports in Q2 2021 amounted to USD 78.7/tonne, i.e. +78.9% (USD 44.0/tonne) compared to Q2 2020
- comparing to the average price in Q1 2021, (USD 60.4/tonne), it's an increase by 30.3%
- average price in H1 2021 was USD 69.5/tonne, up by 52.7% y/y, (USD 45.5/tonne)

China

- approx. 1.9 billion tonnes of coal were produced in H1 2021, +18.8% compared to H1 2020 (1.6 billion tonnes)
- imports in H1 2021 were 139.6 million tonnes – down by approx. 19.8% compared to H1 2020 (174.0 million tonnes)

USA

- production in H1 2021 – 264.4 million tonnes, up by 11.2% compared to H1 2020 (237.8 million tonnes)
- consumption in H1 2021 – 238.9 million tonnes, up by 29.9% compared to H1 2020 (183.9 million tonnes)
- exports in H1 2021 – 35.6 million tonnes of hard coal, up by 8.9% y/y

Russia

- production in H1 2021 – 212.0 million tonnes, up by 8.7% y/y
- exports in H1 2021 – 105.0 million tonnes, up by 19.3% y/y



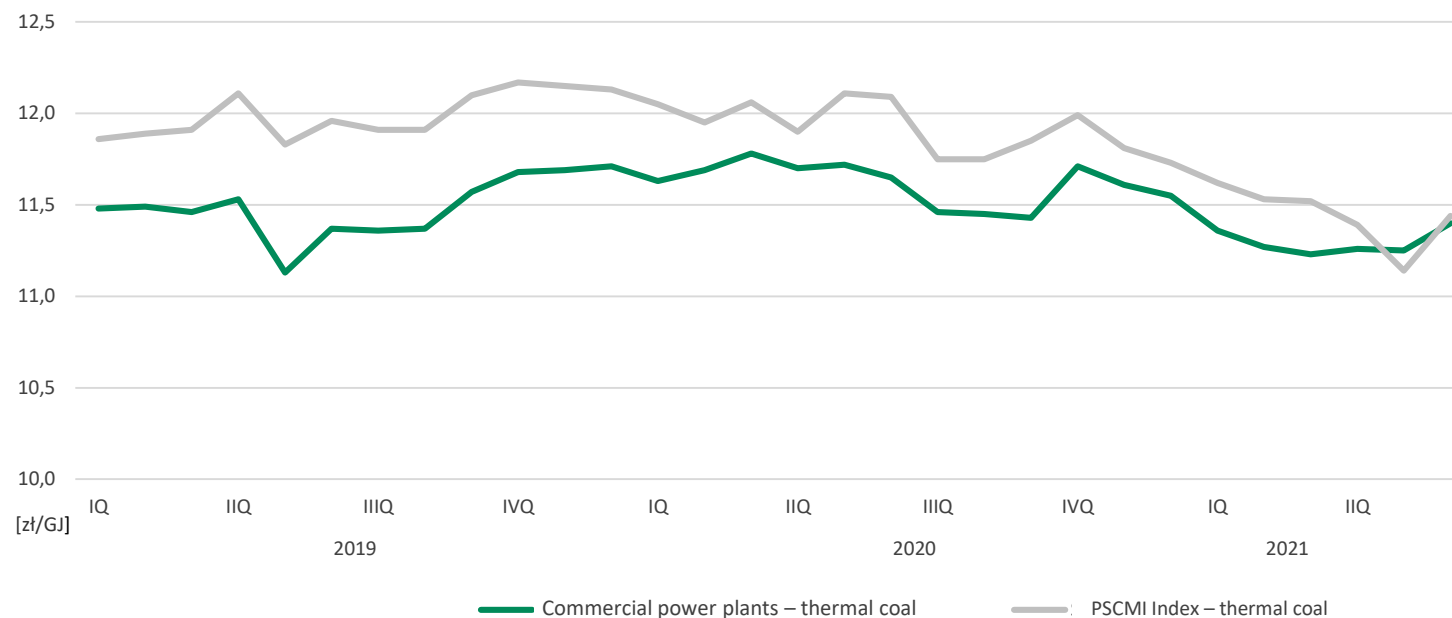
Fine thermal coal prices in the domestic market

Fine thermal coal prices

- in Q2 2021, the average annual price of fine thermal coal for commercial power plants was PLN 11.30 per GJ, the change dynamics was ca. - 3.3% y/y
- in H1 2021 (PLN 11.30 per GJ) – down by 3.4% compared to H1 2020 (PLN 11.70 per GJ)
- average heating value of fine coal for commercial power plants was about 21.5 GJ

Prices based on the PSCMI index

- in Q2 2021 the average price based on the PSCMI index was approx. PLN 11.32 per GJ, which compared to average price in Q2 2020 (PLN 12.03 per GJ) represents a decrease by approx. -5.9%
- in H1 2021 the price stood at a level of PLN 11.44 per GJ, PLN 12.03 per GJ in H1 2020, translating into a decrease by 4.9%



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

Production of thermal coal in Poland

- in H1 2021, the production of thermal coal amounted to about 21.4 million tonnes, which represents an increase of 3.9% y/y

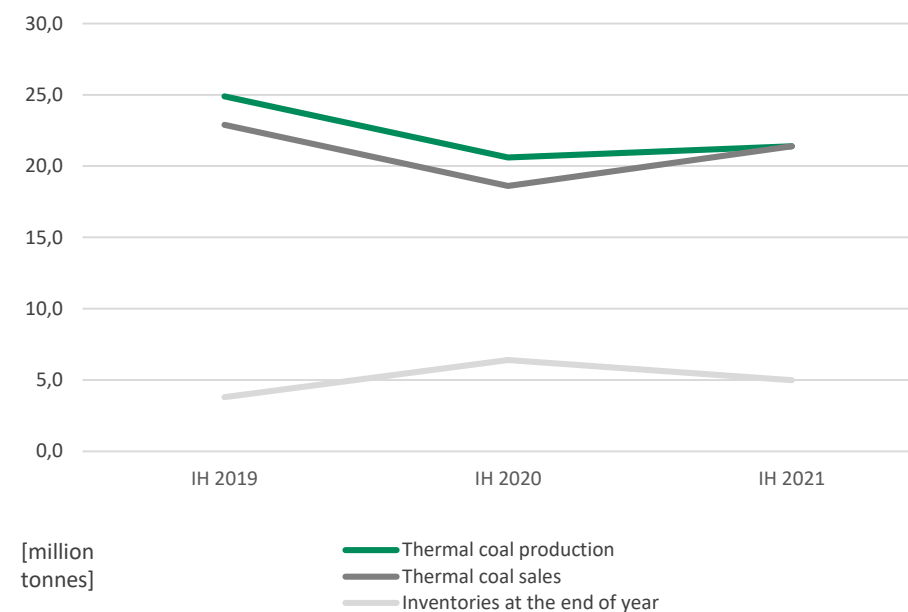
Sales of thermal coal market in Poland

- sales in H1 2021 amounted to about 21.4 million tonnes, including about 14.0 million tonnes of thermal fine coal sold to commercial power plants
- in comparison to Q1 2020, sales of thermal coal increased by about 15.1%

Inventories of coal in Poland

- the level of thermal coal inventories at the end of H1 2021 totalled 5.0 million tonnes (at the end of H1 2020 – 6.4 million tonnes), down by 21.9%

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 14.0 million tonnes of thermal fine coal. Key customers from the commercial power industry are as follows:

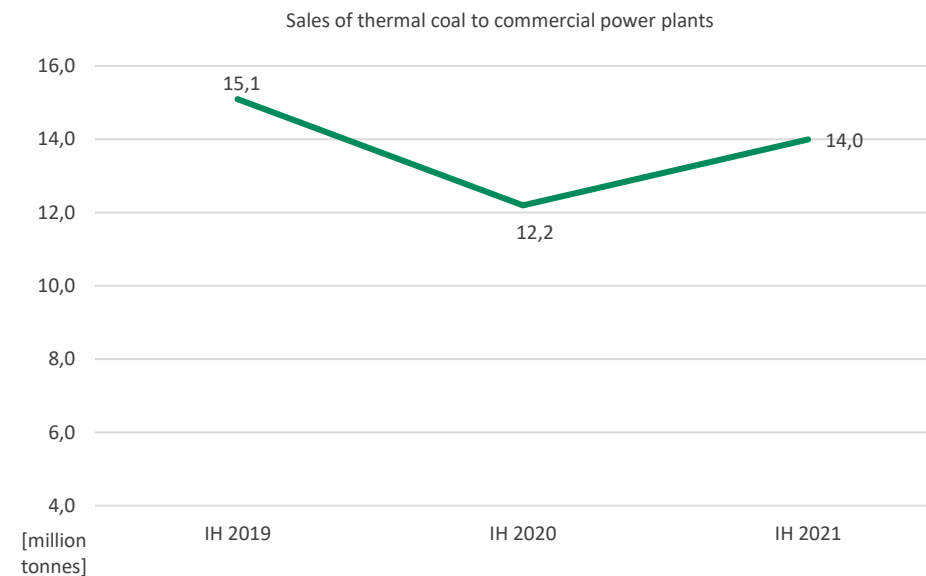
- Tauron
- PGE
- Enea
- PGNiG
- ENERGA

Sales of thermal coal market in Poland

In H1 2021, about 21.4 million tonnes of thermal coal were sold in Poland. 20.5 million tonnes of thermal coal were delivered to the domestic market, including 14.0 million tonnes of thermal fine coal.

Export of coal

About 2.9 million tonnes of coal were exported, including approx. 0.9 million tonnes of thermal coal.



Electricity generation in Poland

Electricity generation – total

- In H1 2021, 83,092 GWh of electricity was produced, which represents an increase of 8.999 GWh (12.1%) versus the same period of 2020.

Power generation from coal

- Coal was the main fuel used to produce electricity. In H1 2021 it was used to produce 65,906 GWh, which was an increase by 13,402 GWh (25.5%) compared to H1 2020.
- In H1 2021 coal accounted for 79.3% of total electricity production in Poland, its share in the fuel mix went up by 8.5% in comparison with H1 2020.

Power generation from hard coal

- Hard coal served for producing electricity of 44,696 GWh (up by 32.1% compared to H1 2020).

Power generation from lignite

- Lignite was used to produce 21,210 GWh of electricity (13.6% more than in H1 2020).

Power generation by wind farms

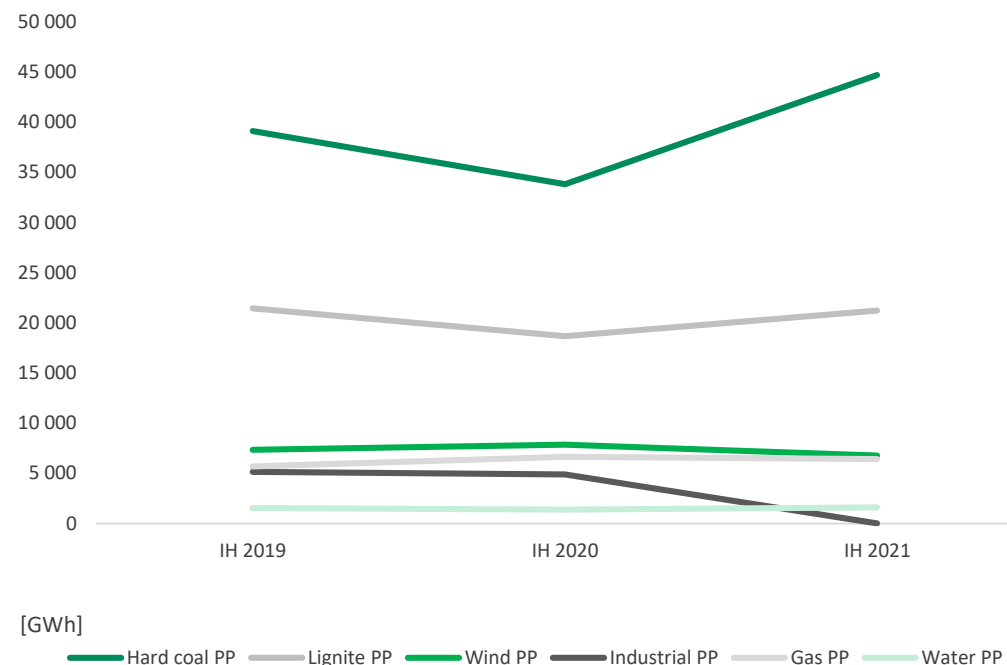
- Wind farms produced 6,762 GWh of electricity, which represents a decrease by 14.0% in comparison with H1 2020. Wind made up about 8.1% of electricity production.

Power generation by gas-fired power stations

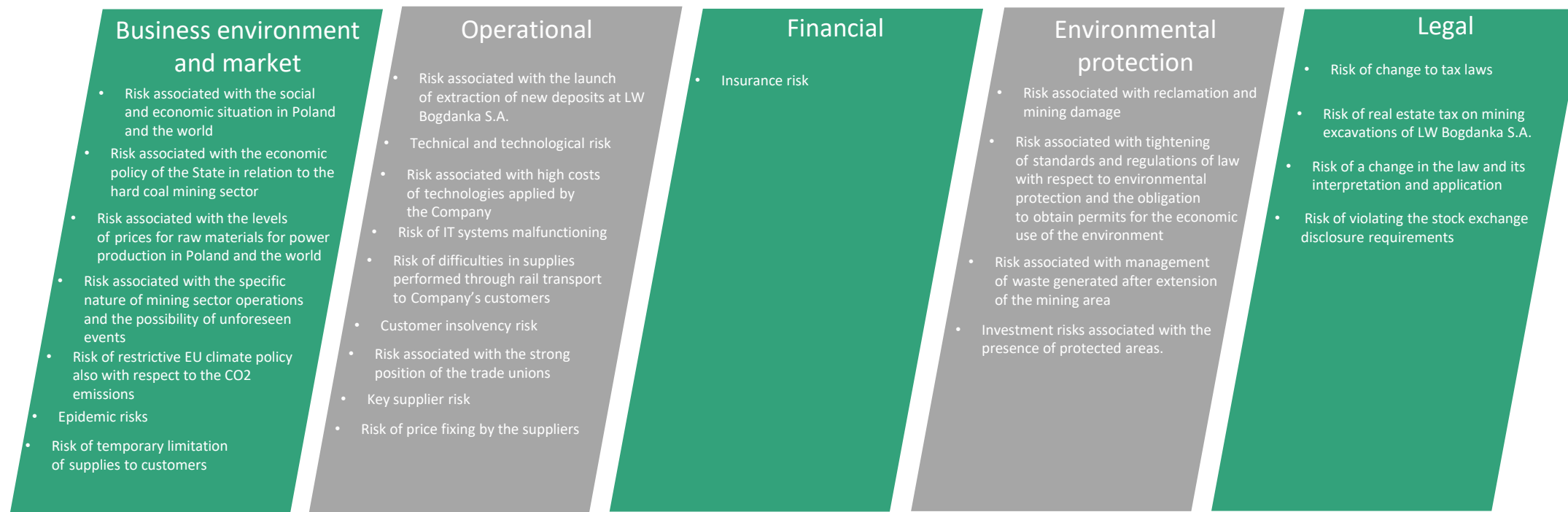
- Gas power plants produced 6,437 GWh of electricity, which was a decline of 3.0% compared to H1 2020.

Electricity consumption on the domestic market

- In H1 2021, the use of electricity totalled about 86,365 GWh, which represents an increase of 5,725 GWh (7.1%) versus the same period of 2020.



Main risks to the Group by category



Risk associated with the Group's social, economic and market environment

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

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

- directions and rate of changes in domestic and global GDP, including the change in volume of industrial production
- the demand for electricity and heat energy
- development of renewable energy sources
- Polish and European climate policy trends
- prices of raw materials on global markets translating into prices of production means
- prices for rights to CO₂ emissions and pressure put by commercial power plants on price of coal
- balance of exports and imports of coal from and to Poland
- the level of inflation
- the rate of unemployment

Countermeasures: monitoring all factors, adapting the activities to the market situation and business environment, planning future actions, making long-term financial forecasts, controlling costs, entering into long-term agreements, taking actions with a view to improving extraction efficiency.



Risk 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 2040 Energy Policy 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.



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

The prices of thermal coal and raw materials alternative to thermal coal (crude oil, natural gas, renewable sources) are the main factors shaping the prices of raw materials on global markets, and consequently, on the domestic market. This is of key significance for the activities conducted by the Parent. In 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 conditions (significant cooling, long-lasting temperatures below zero in winter, high temperatures in summer, moderate wind) 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 half of 2021. In H1 2021 an increase in electricity production from coal was observed. This comes as a result of weather conditions (long cold winter and high temperatures in summer) as well as enhanced functioning of domestic economy despite long-lasting restrictions related to the COVID-19 pandemics. 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.



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

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

These include:

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

The consequences may include:

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

Countermeasures:

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

The following factors are also of importance:

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



Risk associated with the Group's social, economic and market environment

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

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

In the Polish energy sector, a great majority of electricity is generated on the basis of coal (hard coal and lignite). The production of electrical or heat energy from coal is connected with significant CO₂ emissions. 2021 saw a significant increase in CO₂ prices, which translates directly into an increase in costs of coal burning.

These limitations or introduction of stringent standards or emission limits of CO₂, SO_x, NO_x and other chemical compounds as well as a continuous growth of prices of CO₂ emission rights may cause significant difficulties with competitiveness and making decisions on investments in thermal-based production or heat capacities. As a result of the pursued anti-smog policy, new legal regulations have been adopted with respect to quality standards applicable to coal sold on the Polish market.

In consequence, the above restrictions or plans of further amendments in law may cause further decrease in the demand for coal in general, or for coal of lower quality. It may have a negative impact on the sales of coal by LW Bogdanka S.A., and in consequence may have a negative impact on the Group's financial results.

Countermeasures:

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

impact on the Group's operations.

Risk level low medium high

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. At present, the number of opinions foreseeing the possible fourth wave at the end of Q3 2021 and beginning of Q4 2021 is increasing.

The circumstances described above did not, however, materially impacted the Group's operations in 2020 as at the date of drawing up this Report. Very good production results which translated into the financial result in H1 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.

Risk level low medium high

Risk of temporary limitation of supplies to customers

Weather changes in individual years bring changes in the level of production of electric power by commercial power plants which receive more than 90% of coal produced by LW Bogdanka S.A., therefore there is a risk of a periodic reduction of collection volumes by key customers. Long-term agreements, which regulate majority of LWB sales provide for the possibility to increase or decrease collection volumes in the framework set out in the agreement. The purpose is to introduce more flexibility to sales schedules, and further - production schedules in order to keep optimum conditions and costs-efficiency of the mine work.

The Company mitigates the above risk by introducing flexible work mode, which enables it quick and flexible commissioning work on weekends to companies providing mining services to the mine. Outsourced services provided in respect to work on weekend constitute variable cost incurred accordingly to customer demand for additional coal volumes.

Risk level low medium high



Risks directly associated with the Group's operations

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

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

The decrease in the resource base stemming from day-to-day exploitation combined with the lack of new licenses limits the possibility of efficient planning in relation to making deposits available and preparing them for extraction, shortens the mine's life and decreases extraction levels, hence impacting financial results expected in the future. Making new deposits available necessitates incurring additional investment expenditure, in particular on main excavations. The key is to maintain efficient production despite longer transport routes and delivery, as well as make efficient working time shorter.



Technical and technological risk

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

Countermeasures:

- 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.



Risk associated with high costs of technologies applied by the Company

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

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

In 2015, the exploitation of mining of seam 391 began; the seam is located about 100 m below seam 382. Along with the depth increases the difficulty of maintaining the excavations (rock mass pressures increase), the natural temperature of rock, as well as certain other natural dangers, e.g. related to water or methane. In 2016, preparations begun to make available the parts of seams in which longwalls of over 7,000 meters were discovered. This requires implementing technical and organisational solutions which would counteract natural dangers, ensure the continuity of production and OHS. This may altogether increase coal mining costs.

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

improvement of underground climate conditions, implementing an IIoT platform to control work parameters as well as constantly analysing efficient working time for key production machines.



Risk of IT systems malfunctioning

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

Countermeasures:

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



Risk of difficulties in supplies performed through rail transport

In 2017-2020 a comprehensive modernisation of railway line No. 7 was carried out in the Lublin-Puławy and Dęblin-Piława sections. While line No. 7 was closed, the rail transport to the Parent was directed through alternative routes, via line No. 30 and lines Nos. 66 and 69. The change in routes of the coal transport for the period of modernisation caused logistic hindrances resulting not only in lengthening the transport time but also in the necessity to use diesel locomotives. As of 30 August 2020 works carried out in the Lublin-Dęblin section

have been completed, which allowed traffic in the section to be re-started on both tracks. Bearing the above in mind, it should be stated that restarting traffic on both tracks on the section of line No. 7 between Lublin and Dęblin significantly minimises potential impact of this risk on the Company.



Risk directly associated with the Group's operations

Customer insolvency risk

Customer insolvency risk is associated with general level of current receivables of the LW Bogdanka Group payable by its customers and the surplus of Group's receivables in comparison to liabilities. Trade and other current receivables of the Group accounted for 5.0% of the carrying amount and 21.4% of its revenue for the first 6 months of 2021. The share of trade receivables in trade and other current receivables accounted for 83.1%. Countermeasures:

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



Risk associated with the strong position of the trade unions

Trade unions hold a significant position in the hard coal mining sector and play an important role in determining staff and payroll policy, frequently forcing renegotiations of wage policy through protest actions. As at the end of H1 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 for the purpose of negotiating with the social side.



Risk associated with retaining and attracting employees for the Company

The labour market is currently an employee's market, therefore employees can easily change work to a more attractive one. Additionally, in relation to the pursued policy of economy decarbonisation, the mining industry has become little attractive for potential candidates for work. Any failure to offer competitive employment and retain salaries at the level required by market standards may in consequence lead to losing high-profile employees.

Countermeasures: building generational continuity, succession plans, cooperation with local vocational schools, implementing development programmes, providing employees with options to promote and develop within the Company's structure, building friendly organisational structure. Activities taken with a view to developing managerial skills among the management and supervision officers. Interdisciplinary meetings building commitment, the purpose of which is to work out enhancements and new solutions.



Key supplier risk

The specific nature of operations requires applying technologies which often involve the use of highly specialised machinery and equipment as well as specialised services. Therefore, there is a risk of problems occurring in identifying proper suppliers, as well as a risk of suppliers failing to meet their obligations under concluded agreements. This also applies to specialised providers of mining services, because due to their limited number on the Polish market, the Group may become dependent upon these entities.

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



Risk of price fixing by the suppliers

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

Countermeasures:

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



Financial risks and risks associated with environmental protection

Insurance risk

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



Risk associated with reclamation and mining damage

The LW Bogdanka Group is obliged to carry out reclamation of the post-mining land and remove mining damage. The existing standards of reclamation and mining damage removal may change in the future – the requirements in this respect are expected to be stricter. Countermeasures: repair works, protecting buildings against the results of mining damage, reimbursing the costs incurred by investors in connection with

adjusting new buildings under construction on the mining land to the current conditions, gradually performing drainage hydrotechnical works as well as land reclamation within the impacted areas.



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

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

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

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



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

The Company creates significant amounts of mining waste. Post-mining waste is managed (recovered) and stored at the mining waste neutralization facility in Bogdanka. It is estimated that the storage capacity of the waste yard, with approx. 50% of mining waste stored, is sufficient only for up to 4 years of storing. On the basis of a building permit, the Company has commenced works connected with increasing the height of the existing yard (to 250 MASL) and expanding the yard to the south-east. It has also

taken measures aimed at acquiring adjacent areas in order to further extend the facility. Failure to implement this investment will mean the risk of disrupting the stability of the extraction process and the necessity to search for alternative ways to manage the extraction waste.

Countermeasures: The Group performs works connected with increasing the height of the existing mining waste utilisation facility and expanding the area to the south-east. Further, it continues works on acquiring new land to execute the next phases of extension of the yard and has commenced design works relating to development of the yard. The Parent is taking intense actions related to the recovery and utilisation of mining waste.



Investment risks associated with protected areas

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

Countermeasures: ongoing monitoring, adjusting business activities to requirements and obligations.



Risk factors associated with proceedings and legal environment

Risk of change to tax laws

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

Countermeasures:

- monitoring any amendments to tax laws
- training courses for employees so as to ensure that employees are as competent as possible in this area
- detailed analysis of all emerging tax issues, including by comparing them with the latest tax rulings and relevant case law
- using the services of consulting companies
- following the Transfer Pricing Policy, which lays down the fundamental conditions and principles for pricing the transactions concluded within the Group
- taking steps towards developing and implementing a tax strategy at the Parent, as referred to in Article 27c of the CIT Act.



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

In accordance with the Parent's strategy until 2019, the value of underground excavations and the infrastructure located in these excavations have not been included in real property tax returns for tax assessment purposes. Nevertheless, in Q3 2019, in order to secure against any possible negative consequences for the Group in the form of interest on past due real property tax, the Group decided to include in its calculations, for the purpose of that tax, also the value of underground mining excavations and lining. Currently, the abovementioned risk seems to be significantly mitigated.

In 2021 fiscal proceedings were pending against the Parent in order to determine the amount of real property tax due for 2012, instigated by the Head of the Ludwin Commune.

Countermeasures:

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



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

The provisions of law in Poland are frequently changed. Changes also affect the interpretation of law and the way it is applied. Changes in interpretation of tax regulations are particularly frequent. There is no consistency in the practice of tax authorities or in case law relating to taxation. If tax authorities adopt an interpretation of tax law which differs from that adopted by the Group or if the Mining Law

introduces new requirements, it could lead to deterioration of the Group's financial situation and as a result negatively affect its bottom line and development prospects.

Countermeasures:

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



Risk of violating the stock exchange disclosure requirements

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

Countermeasures:

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



Workforce changes

Employment at the Group

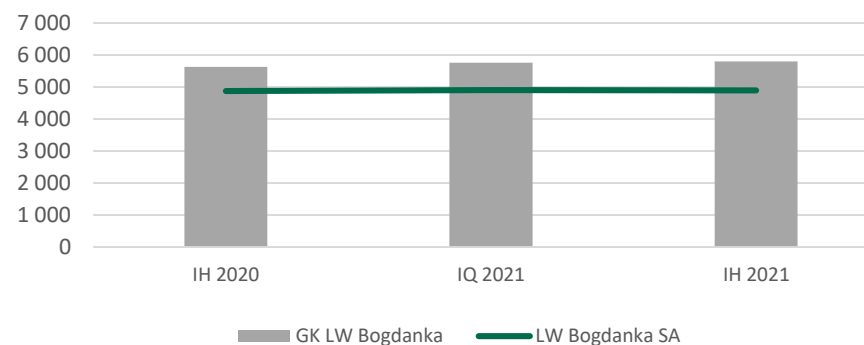
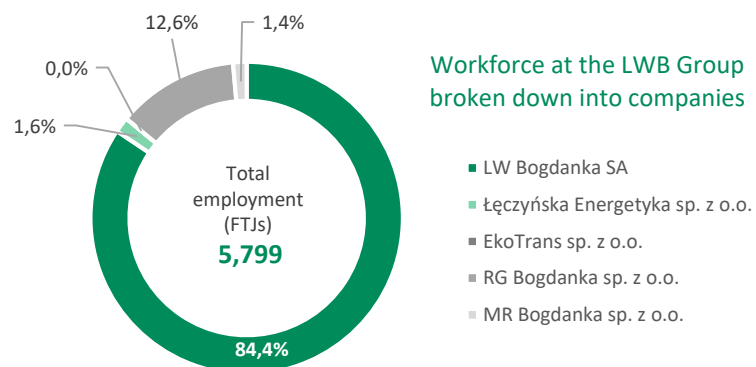
The first half of 2021 brought a 3.0% increase in employment in the Group (comparing to H1 2020). The highest increase in FTJs was recorded in RG Bogdanka Sp. z o.o.

Workforce of the Parent

At the end of H1 2021 the personnel employed at the Parent accounted for 84.4% of total employment in the Group. Blue-collar workers accounted for 83.8% of all employees. In comparison with H1 2020 the number of underground staff remained unchanged. Underground personnel constituted the main group employed in LW Bogdanka S.A., i.e. 72.9% of total staff.

In H1 2021, 40 employees were hired to LW Bogdanka S.A., while 69 employees left the Company.

Employment (FTJs)	30 Jun. 2020	31 Mar. 2021	30 Jun. 2021	Workforce structure at the Group	Change H1 2021 / H1 2020	Change H1 2021 / Q1 2021
Total						
Total workers	4,105.0	4,115.0	4,099.0	-	-0.1%	-0.4%
Underground workers	3,148.0	3,152.0	3,139.0	-	-0.3%	-0.4%
Surface workers	957.0	963.0	960.0	-	0.3%	-0.3%
Full-time employees underground	416.0	427.0	425.0	-	2.2%	-0.5%
Full-time employees on the surface	357.5	367.0	368.0	-	2.9%	0.3%
Total underground	3,564.0	3,579.0	3,564.0	-	0.0%	-0.4%
LW Bogdanka S.A.	4,878.5	4,909.0	4,892.0	84.4%	0.3%	-0.3%
RG Bogdanka Sp. z o.o.	572.0	676.9	731.9	12.6%	28.0%	8.1%
MR Bogdanka Sp. z o.o.	82.5	80.5	79.5	1.4%	-3.6%	-1.2%
EkoTrans Bogdanka Sp. z o.o.	2.0	2.0	2.0	0.0%	0.0%	0.0%
Łęczyńska Energetyka Sp. z o.o.	95.2	94.6	94.0	1.6%	-1.3%	-0.6%
LW Bogdanka Group	5,630.2	5,763.0	5,799.4	100.0%	3.0%	0.6%



Social matters

The dominant values cherished by the LW Bogdanka Group are as follows: honesty, professionalism and responsibility. These values ensure the harmonious development of the 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 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 implemented 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 gathers before descent) reconstructions of accidents at work and demonstrations of correct performance of duties. 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.

In H1 2021, the project "Soil - agricultural space. Sustainable agriculture in the areas in vicinity of LWB" was continued.

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, including: 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 on 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.

Socially Engaged Bogdanka

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, this year our employees have already completed 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 Łączna children are provided with support in learning programming and cyberreality.



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 Łączna, as part of integration activities, individual support was provided to 20 children in foster families and to 50 foster families.



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.



Social matters

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 provides assistance to mining retirees and pensioners to an increasingly larger extent.

In the 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 were 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, including LW Bogdanka S.A.





3

Financial standing

Production, sales and inventories of coal

Production, sales of commercial coal of the Company

['000 tonnes]	Q2 2020	Q2 2021	Change	Change %	H1 2020	H1 2021	Change	Change %
Gross coal extraction	2,386	3,297	911	38.2%	5,532	6,908	1,376	24.9%
Production of commercial coal	1,631	2,335	704	43.2%	3,697	4,947	1,250	33.8%
Yield (%)	68.4%	70.8%	2.4 p.p.	3.5%	66.8%	71.6%	4.8 p.p.	7.2%
Sales of commercial coal	1,604	2,207	603	37.6%	3,522	4,590	1,068	30.3%
New excavations (km)	6.5	5.1	-1.4	-21.5%	13.1	10.4	-2.7	-20.6%

Inventories of commercial coal of the Company

['000 tonnes]	30 Jun. 2020	31 Dec. 2020	30 Jun. 2021	Change [%] 2021 / 31 Dec. 2020	30 Jun. 2021 Change [%] 30 Jun. 2021 / 30 Jun. 2020
Inventories of coal	354	122	479	292.6%	35.3%

Structure of commercial coal production

[%]	Q2 2020	Q2 2021	H1 2020	H1 2021
Fine coal	99.2%	98.9%	99.5%	99.1%
Pea coal	0.8%	1.1%	0.5%	0.9%
Total	100.0%	100.0%	100.0%	100.0%

The higher operating results of the Company for the first half of 2021 were mainly influenced by increased demand for power coal by commercial power plants and the heating sector. These results are similar to those reached in H1 2019. The abovementioned operational results were achieved thanks to the intense work of employees and optimized wall run system and timetable in the period of higher coal demand.

Production of coal

- (+) gross extraction of coal in H1 2021 increased by 24.9% y/y, i.e. 1,376,000 tonnes
- (+) production of commercial coal in H1 2021 was 4,947,000 tonnes, i.e. more by 1,250,000 tonnes than in the same period of 2020
- (+) yield for H1 2021 was 71.6% compared to 66.8% for H1 2020

Sale of coal

- (+) in Q2 2021, the sales of coal grew by 37.6% compared to Q2 2020
- (+) in H1 2021 the sales of commercial coal amounted to 4,590,000 tonnes, i.e. by 30.3% more than in the same period of 2020

Inventories

- (+) at the end of Q2 2021, the level of coal inventories amounted to 479,000 tonnes, which means an increase by 357,000 tonnes compared to the level as at 31 December 2020
- (+) the level of coal inventories presented at the end of Q2 2021 corresponds to 14 days of commercial coal production (on the basis of average daily production for six 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 maintained.
- (+) in Q2 2021, as in H1 2021, increase in the share of pea coal in the production structure - higher sales to domestic and foreign customers (coal sold by the Company reached the Ukraine through a coal agent)

Revenue and key customers of the LW Bogdanka Group

Dynamics of changes in product range with respect to revenue

[PLN '000]	Q2 2020	Q2 2021	Change	Change %	H1 2020	H1 2021	Change	Change %
Sale of coal	375,675	489,886	114,211	30.4%	826,235	1,018,563	192,328	23.3%
Other activities	6,577	8,531	1,954	29.7%	16,736	20,265	3,529	21.1%
Sale of goods and materials	2,678	4,499	1,821	68.0%	6,040	7,763	1,723	28.5%
Total	384,930	502,916	117,986	30.7%	849,011	1,046,591	197,580	23.3%

Structure of revenue

[%]	Q2 2020	Q2 2021	H1 2020	H1 2021
Sale of coal	97.6%	97.4%	97.3%	97.4%
Other activities	1.7%	1.7%	2.0%	1.9%
Sale of goods and materials	0.7%	0.9%	0.7%	0.7%
Total	100.0%	100.0%	100.0%	100.0%

Geographical structure of revenue

[PLN '000]	Q2 2020	Structure	Q2 2021	Structure	H1 2020	Structure	H1 2021	Structure
Domestic sales	384,930	100.0%	491,543	97.7%	849,011	100.0%	1,008,822	96.4%
Foreign sales	0	0.0%	11,373	2.3%	0	0.0%	37,769	3.6%
Total	384,930	100.0%	502,916	100.0%	849,011	100.0%	1,046,591	100.0%

Revenue on sales of coal

(+) in Q2 2021, the Group generated revenue in the amount of PLN 489,886,000, which represents an increase by 30.4% compared to Q2 2020

(+) in H1 2021 the revenue amounted to PLN 1,018,563,000 compared to PLN 826,235,000 in H1 2020, which means an increase in revenue by 23.3% y/y

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

Revenue on other operations

In Q2 2021 revenue on other operations (which includes revenue of subsidiaries) were PLN 8,531,000 (1.7% of total revenue), compared to PLN 6,577,000 (1.7% of revenue) in the analogous period of 2020 (up by 29.7% y/y). A significant share in that group of revenue was held by:

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

In H1 2021 revenue on other operations was PLN 20,265,000 compared to PLN 16,736,000 for the same period of previous year. The increase in revenue in this group is related to higher revenue from transport services (PLN +2,668,000) and revenue of subsidiaries from services provided outside the LW Bogdanka Group.

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

Geographical structure of revenue

The activities of the Group are primarily concentrated in Poland. In H1 2021 sales of coal abroad (Ukraine) was performed through a coal agent. In H1 2021 the Group generated profit on exported sales in the amount of PLN 37,769,000, making 3.6% of total revenue on sales.

Key customers

About 87% of coal sales (in terms of value) in the first half of 2021 was effected between LW Bogdanka S.A. on one side and Enea Wytwarzanie Sp. z o.o., Enea Elektrownia Połaniec S.A. and Grupa Azoty Zakłady Azotowe Puławy S.A. on the other. The share of the abovementioned recipients in the analogous period of 2020 was approx. 4.0 p.p. higher.

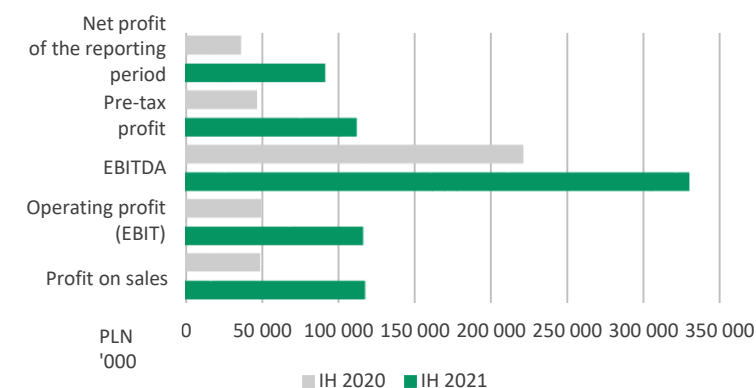
Key customers by share in revenue:

- Enea Wytwarzanie Sp. z o.o. – Enea Group – approx. 67% of share in the revenue
- Enea Elektrownia Połaniec S.A. – Enea Group – approx. 14% share in the revenue

Financial highlights of the LW Bogdanka Group

Analysis of the consolidated income statement

[PLN '000]	Q2 2020	Q2 2021	Change	H1 2020	H1 2021	Change
Sales revenue	384,930	502,916	30.7%	849,011	1,046,591	23.3%
Costs of products, goods and materials sold, selling costs and administrative expenses	379,925	451,880	18.9%	800,007	929,279	16.2%
Profit on sales	5,005	51,036	919.7%	49,004	117,312	139.4%
Gross sales margin	1.3%	10.1%	8.8 p.p.	5.8%	11.2%	5.4 p.p.
Other income	542	530	-2.2%	2,109	977	-53.7%
Other costs	965	151	-84.4%	1,116	311	-72.1%
Net operating profit	4,582	51,415	1,022.1%	49,997	117,978	136.0%
Other profits/(losses) - net	424	277	-34.7%	-97	-1,784	1,739.2%
Operating profit (EBIT)	5,006	51,692	932.6%	49,900	116,194	132.9%
EBIT margin	1.3%	10.3%	9.0 p.p.	5.9%	11.1%	5.2 p.p.
EBITDA	86,301	159,628	85.0%	221,108	329,849	49.2%
EBITDA margin	22.4%	31.7%	9.3 p.p.	26.0%	31.5%	5.5 p.p.
Finance income	882	74	-91.6%	2,460	142	-94.2%
Finance costs	2,441	1,785	-26.9%	5,350	4,287	-19.9%
Profit before taxation	3,447	49,981	1,350.0%	47,010	112,049	138.4%
Pre-tax profit margin	0.9%	9.9%	9.0 p.p.	5.5%	10.7%	5.2 p.p.
Income tax	446	8,930	1,902.2%	10,341	20,691	100.1%
Net profit for the financial year	3,001	41,051	1,267.9%	36,669	91,358	149.1%
Net sales margin	0.8%	8.2%	7.4 p.p.	4.3%	8.7%	4.4 p.p.



Financial highlights LW Bogdanka Group

Sales revenue

The value of revenue for Q2 2021 went up by 30.7% compared to the same period of the previous year and amounted to PLN 502,916,000.

In H1 2021 the LW Bogdanka Group generated revenue at a level of PLN 1,046,591,000 compared to PLN 849,011,000 in the same period of 2020 (increase by 23.3%).

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

In Q2 2021 costs of products, goods and materials sold plus selling costs and administrative expenses amounted to PLN 451,880,000, i.e. they went up by 71,955,000 compared to the same period of the previous year (PLN 379,925,000).

During the first half of 2021 costs of products, goods and materials sold, selling costs and administrative expenses went up from PLN 800,007,000 to PLN 929,279,000.

Profit on sales

In Q2 2021 profit on sales amounted to PLN 51,036,000, while in the same period of 2020 profit on sales amounted to PLN 5,005,000.

In H1 2021 the Group generated profit on sales in the amount of PLN 117,312,000, versus PLN 49,004,000 in the same period of 2020.

Other income

In the first half of 2021 other income amounted to PLN 977,000 compared to PLN 2,109,000 a year before. A significant increase in the value of other income in 2020 resulted from the returned excise tax.

Other costs

Other costs in H1 2021 amounted to PLN 311,000 while in the same period of 2020 the figure was PLN 1,116,000 – a dominant item in both periods were damages paid and donations granted.

Other profits/(losses) – net

Other net profits in Q2 2021 amounted to PLN 277,000 compared to PLN 424,000 in Q2 2020. Other net loss in H1 2021 amounted to PLN 1,784,000 compared to PLN 97,000 in H1 2020. In 2020 impairment loss related to the construction in progress was released (PLN 1,050,000), which caused a drop in other net loss.

EBIT

Operating result in Q2 2021 amounted to PLN 51,692,000. EBIT margin in Q2 2021 was 10.3%, i.e. it was higher by 9.0 p.p. than in the second quarter of the previous year.

EBIT margin in H1 2021 was higher by 5.2 p.p. compared to the same period of 2020, and accounted for 11.1%.

EBITDA

EBITDA in Q2 2021 increased by 85.0% compared to Q2 2020 and amounted to PLN 159,628,000. EBITDA margin in Q2 2021 equalled 31.7%, which shows an increase compared to the same period of 2020.

In H1 2021 the Group achieved an EBITDA margin of 31.5%, i.e. 5.5 p.p. more than in H1 2020 (EBITDA amount increased by 49.2% in the analysed period). In H1 2021, EBITDA amounted to PLN 329,849,000, compared to PLN 221,108,000 in H1 2020.

Finance income

Finance income in Q2 2021 amounted to PLN 74,000 (-91.6% y/y). In H1 2021 finance income was PLN 142,000 (-94.2% y/y). The decline is related to a decrease in effective interest rate close to zero.

Finance costs

In the second quarter of 2021 finance costs amounted to PLN 1,785,000 and were lower by 26.9% than the costs in the same period of 2020. Finance cost for H1 2021 amounted to PLN 4,287,000 compared to PLN 5,350,000 in H1 2020. As at 30 June 2021 total debt of the Group amounted to PLN 9,606,000, compared PLN 11,008,000 as at 31 December 2020.

Profit before taxation

In Q2 2021 the Group recorded pre-tax profit of PLN 49,981,000 compared to the pre-tax profit of PLN 3,447,000 in Q2 2020. Profit before taxation for H1 2021 amounted to PLN 112,049,000 against PLN 47,010,000 in the same period of 2020.

Net profit for the reporting period

In Q2 2021 the Group achieved net profit of PLN 41,051,000 compared to PLN 3,001,000 in Q2 2020. The net profit of the Group for H1 2021 was PLN 91,358,000 compared to PLN 36,669,000 in the analogous period of the previous financial year.



Balance sheet of the LW Bogdanka Group

Balance sheet [PLN '000]	31 Dec. 2020	30 Jun. 2021	Change
Total assets	4,375,263	4,451,907	1.8%
Return on Assets (ROA)*	1.7%	2.9%	1.2 p.p.
Non-current assets	3,763,945	3,653,810	-2.9%
Current assets	611,318	798,097	30.6%
Equity	3,299,827	3,390,385	2.7%
Return on Equity (ROE)*	2.2%	3.8%	1.6 p.p.
Provisions and liabilities	1,075,436	1,061,522	-1.3%

*the calculations include net result for the last four quarters and an average level of assets and equity (as at 30 June 2021 + as at 31 December 2020)/2



Assets

The balance-sheet total as at 30 June 2021 compared to the value as at 31 December 2020 went up by PLN 76,644,000 and amounted to PLN 4,451,907,000, with non-current assets going down by PLN 110,135,000 and current assets going up by PLN 186,779,000. As far as non-current assets are concerned, the change of greatest importance is the decrease in the value of property, plant and equipment by 3.2%. As far as current assets are concerned the most important change is an increase in the value of cash and equivalents by 64.5% and higher inventories by 93.6%.

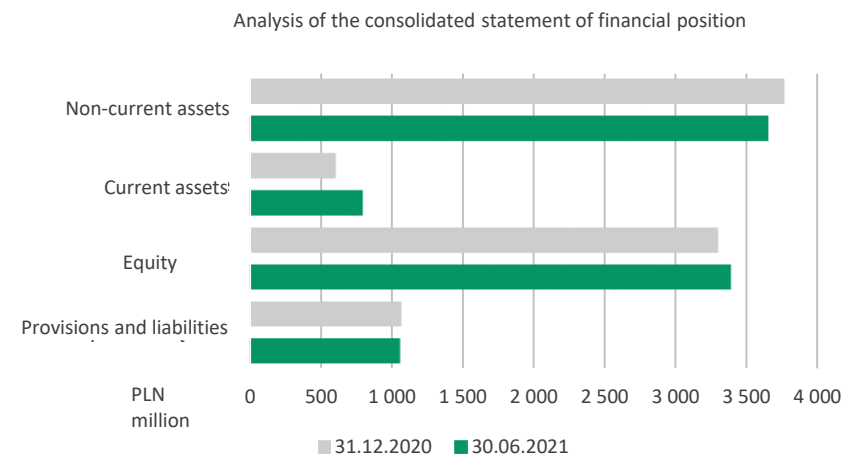
As at 30 June 2021 the ROA figure was 2.9%, while as at the end of 2020 it was 1.7%.

Equity and liabilities

The equity went up by 2.7%. It was an effect of the comprehensive income generated for H1 2021.

Provisions and liabilities went down by 1.3% compared to the value as at 31 December 2020, with current liabilities going up by 6.9% (increase was recorded mainly in provisions for employee benefits), and non-current liabilities dropping by 5.4% (including mainly liabilities regarding the deferred income tax and provisions for other liabilities and charges).

At 30 June 2021 an increase in ROE was recorded by 1.6 p.p. compared to the end of 2020. The value of the ratio as at 30 June 2021 was 3.8% compared to 2.2% as at 31 December 2020.

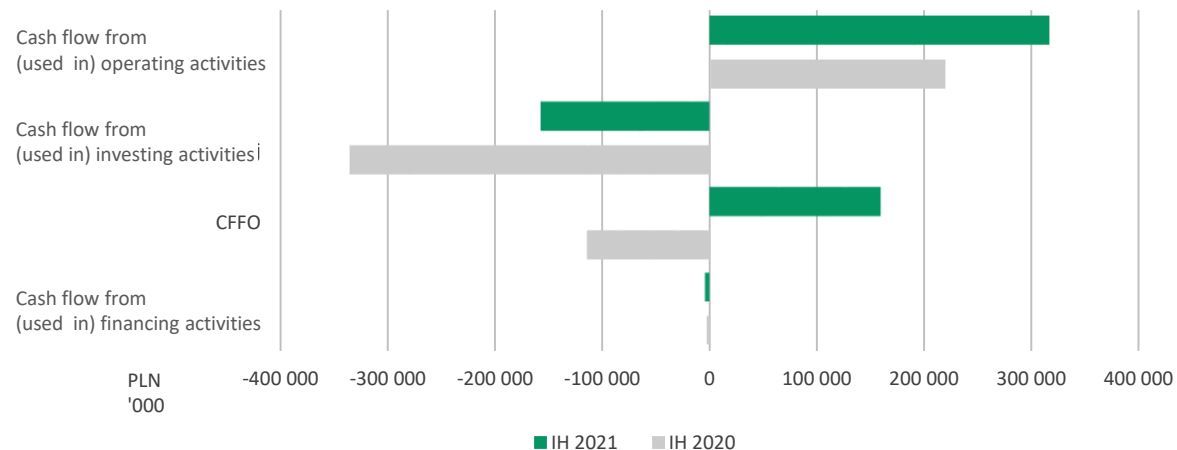


Cash flow LW Bogdanka Group

Cash flow

[PLN '000]	Q2 2020	Q2 2021	Change	H1 2020	H1 2021	Change
Cash flow from (used in) operating activities	142,782	195,225	36.7%	220,131	317,165	44.1%
Cash flow from (used in) investing activities	-134,716	-71,391	-47.0%	-334,906	-157,288	-53.0%
CFFO*	8,066	123,834	1,435.3%	-114,775	159,877	-
Cash flow from (used in) financing activities	-1,383	-1,730	25.1%	-3,581	-3,947	10.2%

* total cash flow from operating and investing activity



In Q2 2021 the Group generated net cash flow from operating activities higher by 36.7% than in Q2 2020 - in 2021 it amounted to PLN 195,225,000 compared to PLN 142,782,000 a year before.

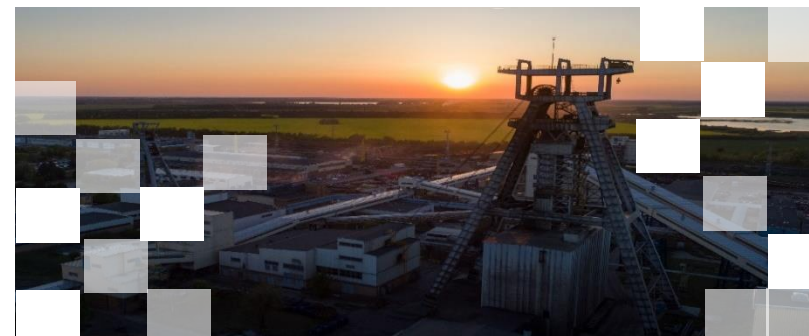
In H1 2021 the LW Bogdanka Group generated cash flow from operating activities of PLN 317,165,000 (+44.1% y/y).

The increase by PLN 97,034,000 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 Q2 2021 by 47.0% (to PLN -71,391,000) compared to the same period in 2020.

The main reason for the situation are lower expenses on acquisition of non-current assets.

In Q2 2021, the Group recorded negative cash flow from financing activities of PLN 1,730,000. In H1 2021 Group's negative cash flow from financing activities amounted to PLN 3,947,000. Repayment of loans and payment of liabilities under lease agreements were dominant in this respect.



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 Group's results achieved during various reporting periods. The Group 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 Group believes they allow the achieved financial results to be well assessed.

Cash flow

[PLN '000]

	31 Dec. 2020	30 Jun. 2021	Change
Overall debt ratio	24.6%	23.8%	-0.8 p.p.
Ratio (debt plus employee liabilities)/EBITDA*	0.49	0.42	-14.3%
Net debt ratio/EBITDA*	-0.49	-0.67	36.7%
Debt to equity ratio	32.6%	31.3%	-1.3 p.p.
Fixed capital to non-current assets ratio (non-current assets/fixed capital)	101.0%	105.8%	4.8 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%	15.2%	-1.1 p.p.

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

	31 Dec. 2020	30 Jun. 2021	Change
Current liquidity ratio	1.73	2.13	23,1%
Quick liquidity ratio	1.47	1.66	12.9%

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

Overall debt ratio

The overall debt ratio as at 30 June 2021 went down by 0.8 p.p. compared to 31 December 2020 and reached 23.8% - the increase in assets was higher than the change in liabilities.

The level of the Group's debts as at 30 June 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 Q2 2021 dropped by 14.3% to 0.42. When comparing data as at 30 June 2021 to data as at 31 December 2020, an increase was recorded both in debt and EBITDA (cumulatively for the last four quarters).

Ratio net debt/EBITDA

The ratio describing the relation of net debt (the total of current and non-current liabilities less cash and equivalents) to EBITDA went up (in absolute terms) from the level of -0.49 as at 31 December 2020 to -0.67 as at 30 June 2021. The value of net debt dropped by ca. PLN 157 million and amounted to PLN -388 million with EBITDA going up by ca. PLN 109 million (EBITDA cumulatively for the last four quarters).

Debt to equity ratio

Debt to equity ratio as at 30 June 2021 declined in relation to 31 December 2020 by 1.3 p.p. and was 31.3% - liabilities decreased by ca. PLN 13 million along with an increase in equity by ca. PLN 91 million.

Fixed capital to non-current assets ratio

The fixed capital to non-current assets ratio was 105.8% (as at 30 June 2021) compared to 101.0% (as at 31 December 2020) - in the analysed period the value of non-current assets dropped by approx. PLN 110 million and fixed capitals (equity plus non-current liabilities less provisions) increased by approx. PLN 65 million.

Turnover ratios at the LW Bogdanka Group

Turnover ratios

[PLN '000]			31 Dec. 2020	30 Jun. 2021	Change
1. Inventory turnover	$\frac{\text{average inventories}}{\text{costs of goods, products and materials sold}} \times$	days in the period	23	29	26.1%
2. Debtors collection rate*	$\frac{\text{average receivables}}{\text{revenue}} \times$	days in the period	51	43	-15.7%
3. Creditors payment rate**	$\frac{\text{average liabilities}}{\text{costs of goods, products and materials sold}} \times$	days in the period	72	66	-8.3%
4. Operating cycle	1+2		74	72	-2.7%
5. Cash conversion cycle	4-3		2	6	200.0%

* Trade and other receivables

** Trade and other liabilities

Inventory turnover

The inventory turnover as at 30 June 2021 went up to 29 days, compared 31 December 2020. Disposal of inventories takes on average 6 days more.

Debtors collection rate

The debtors collection rate (calculated on the basis of the balance-sheet item "Trade and other receivables") was 43 days (as at 30 June 2021), compared to 51 days (as at 31 December 2020). In the period under analysis, average receivables dropped by approx. PLN 1.8 million, with the revenue going up.

Creditors payment rate

The creditors payment rate (calculated on the basis of the balance sheet item "Trade and other liabilities") in the period covered by financial information got shorter by 6 days to ca. 66 days, as compared to the figure as at the end of 2020. In the analysed period the Group had a slightly higher average level of current trade liabilities (by approx. PLN 0.3 million) with higher expenses.

Operating cycle

The operating cycle for current assets (a sum of inventory turnover and debtors collection rate) in the analysed period shortened by 2 days to 72 days. On average after 72 days, the Group's current assets are converted into cash.

Cash conversion cycle

The consequence of the above trends, the cash conversion cycle as at 30 June 2021 was 6 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 30 Jun. 2020	As at 31 Dec. 2020	As at 30 Jun. 2021	Change in Q2 2021 / 31 Dec. 2020	Change Q2 2021 / Q2 2020
Employee provisions	210,977	215,327	234,644	9.0%	11.2%
Provision for real property tax	10,608	-	-	-	-100.0%
Provision for the mine closure costs and land reclamation	194,383	212,456	199,628	-6.0%	2.7%
Mining damage	2,026	2,579	2,320	-10.0%	14.5%
Other	13,335	4,735	8,971	89.5%	-32.7%
Total	431,329	435,097	445,563	2.4%	3.3%

The total provisions as at 30 June 2021 amounted to PLN 445,563,000, which means an increase by 2.4% compared to the value as at 31 December 2020.

Changes in provisions [PLN '000]	Change in Q2 2020	Change in Q2 2021	Change in Q2 2021 / Q2 2020	Change in H1 2020	Change in H1 2021	Change in H1 2021 / H1 2020
Employee provisions	11,631	-763	-	19,012	19,317	1.6%
Provision for real property tax	151	-	-100.0%	302	-	-100.0%
Provision for the mine closure costs and land reclamation	22,336	-12,563	-	22,748	-12,828	-
Mining damage	-78	-104	33.3%	-123	-259	110.6%
Other	498	1,368	174.7%	1,098	4,236	285.8%
Total	34,538	-12,062	-	43,037	10,466	-75.7%

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

[PLN '000]	Change of provisions in H1 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 balance-sheet value of property, plant and equipment	Change disclosed in other comprehensive income	Change disclosed only in the balance-sheet – use of the provision
Employee provisions	19,317	34,654	1,314	-	882	-17,533
Provision for the mine closure costs and land reclamation	-12,828	1,665	1,511	-16,004	-	-
Mining damage	-259	-	-	-	-	-259
Other	4,236	4,423	-	-	-	-187
Total	10,466	40,742	2,825	-16,004	882	-17,979

[PLN '000]	Change in provisions in Q2 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 balance-sheet value of property, plant and equipment	Change disclosed in other comprehensive income	Change disclosed only in the balance-sheet – use of the provision
Employee provisions	-763	5,082	657	-	882	-7,384
Provision for the mine closure costs and land reclamation	-12,563	731	756	-14,050	-	-
Mining damage	-104	-	-	-	-	-104
Other	1,368	1,368	-	-	-	-
Total	-12,062	7,181	1,413	-14,050	882	-7,488

Costs of LW Bogdanka S.A.

Costs by type

[PLN '000]	Q2 2020	Q2 2021	Change	H1 2020	H1 2021	Change
Net production ['000 tonnes]	1,631	2,335	43.2%	3,697	4,947	33.8%
Sales ['000 tonnes]	1,604	2,207	37.6%	3,522	4,590	30.3%
Depreciation/amortisation	79,591	105,201	32.2%	166,803	208,121	24.8%
Materials and energy consumption	116,783	103,557	-11.3%	243,101	221,257	-9.0%
Outsourced services	98,592	104,946	6.4%	217,954	225,132	3.3%
Employee benefits	134,458	134,033	-0.3%	282,208	290,879	3.1%
Entertainment and advertising costs	636	1,879	195.4%	3,817	4,791	25.5%
Taxes, fees and charges	9,733	11,014	13.2%	22,931	26,423	15.2%
Other costs	703	21,744	2,993.0%	1,227	22,598	1,741.7%
Total costs by type	440,496	482,374	9.5%	938,041	999,201	6.5%
Cost of own work	-74,708	-35,125	-53.0%	-148,580	-74,658	-49.8%
Accruals and deferrals	23,070	30,283	31.3%	43,229	48,099	11.3%
Value of coal obtained from excavations	-11,823	-18,593	57.3%	-24,635	-37,347	51.6%
Provisions and other presentation adjustments between costs by type and by function	8,968	9,958	11.0%	28,253	42,646	50.9%
Total production cost	386,003	468,897	21.5%	836,308	977,941	16.9%
Change in products	-8,264	-23,935	189.6%	-40,061	-58,947	47.1%
Costs of goods and materials sold	2,654	3,873	45.9%	6,016	7,142	18.7%
Own cost of sales, including:	380,393	448,835	18.0%	802,263	926,136	15.4%
Costs of products, goods and materials sold	341,999	406,900	19.0%	724,927	841,973	16.1%
Selling costs	7,026	9,701	38.1%	14,976	18,669	24.7%
Administrative expenses	31,368	32,234	2.8%	62,360	65,494	5.0%

Q2 2021

In Q2 2021, LW Bogdanka S.A. incurred costs by type in the amount of PLN 482,374,000 (PLN +41,878,000 y/y), i.e. by 9.5% higher than in Q2 2020. The increase in costs noted in Q2 2021 was largely influenced by higher depreciation/amortisation and other costs.

The value of depreciation/amortisation went up by 32.2% (to PLN 105,201,000) – the value of depreciation of non-current assets went up (by approx. PLN 9.8 million) and natural depreciation went up (by approx. PLN 15.5 million) - as a result of higher extraction and progress of the walls.

The total value of materials and energy consumption in Q2 2021 decreased by 11.3% compared to the first quarter of 2020, and amounted to PLN 103,557,000. In the period under analysis the value of used materials dropped (smaller extent of preparatory works and lower wear and tear of parts of mining machines and equipment), while the costs of electric energy went up (the increase in consumption of energy).

The cost of outsourced services went up by 6.4% compared to the second quarter of 2020, and totalled PLN 104,946,000.

In the period under analysis the increases were recorded mainly in the value of works performed on Saturdays and Sundays (PLN +23.0 million), waste management (PLN +1.6 million) and other services (PLN +2.8 million), while the value of mining and drilling declined (PLN -20.2).

In Q2 2021 employee benefits remained at the same level as in Q2 2020. This comes as a result of increased remunerations and mandatory contributions with drop in other employee benefits (Company Social Benefits Fund).

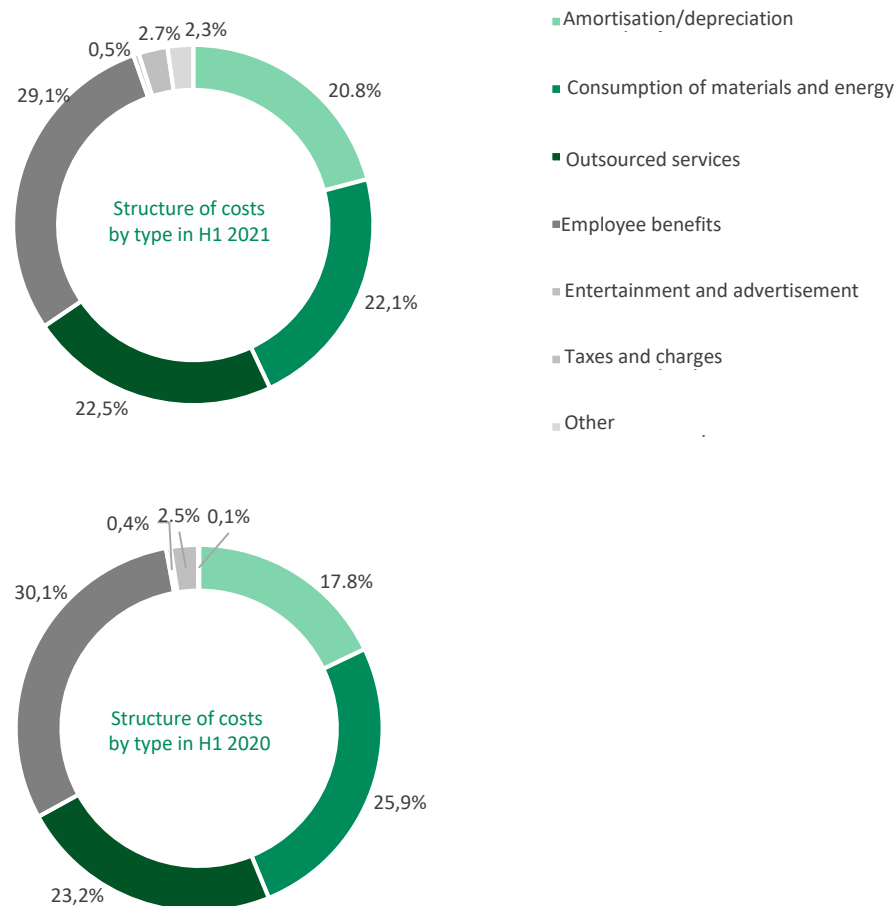
An increase in the value of hospitality expenditure and advertising costs by PLN 1.2 million is a consequence of an additional sponsorship agreement and an altered payment schedule related to it.

The increase in taxes and charges by approx. PLN 1.3 million is primarily attributable to an increase in the service charge, the real property tax and payments to the National Fund for the Disabled.

Other costs grew by PLN 21.0 million mainly on account of a new insurance policy concluded for another period (its cost settled in time, in proportion to its term).

Costs of LW Bogdanka S.A.

Costs by type



H1 2021

In H1 2021, LW Bogdanka S.A. incurred costs by type in the amount of PLN 999,201,000, i.e. by 6.5% (PLN +61,160,000) higher than in the same period of 2020. The increase in costs recorded in the analysed period was largely influenced by the increase in depreciation/amortisation, external services, employee benefits, taxes and charges and other costs.

The value of depreciation/amortisation went up by 24.8% (to PLN 208,121,000) – the value of depreciation of non-current assets and natural depreciation went up as a result of higher progress in excavations and of the walls.

The total value of materials and energy consumption decreased by 9.0% compared to H1 2020, and amounted to PLN 221,257,000.

In the period under analysis approx. 2.7 km less of excavations were made, 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 first six months of 2020, the value of external services in the same period of 2021 went up from PLN 217,954,000 to PLN 225,132,000 (+3.3%). In the period under analysis the increase was recorded mainly in the value of works performed on Saturdays and Sundays (PLN +28.0 million), auxiliary and workday works (PLN +2.6 million), and waste management (PLN +5.3 million), while mining and drilling services decreased in value (PLN -35.4 million).

In H1 2021, compared to H1 2020, the value of employee benefits increased by PLN 8.7 million. In the period under analysis, 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. Other employee benefits (Company Social Benefits Fund) remained relatively low.

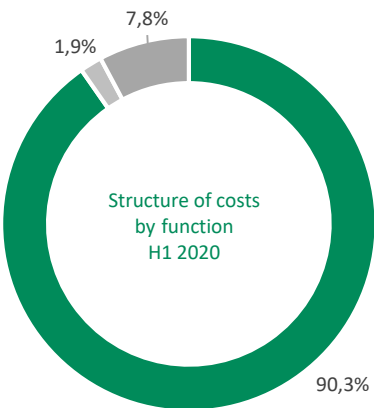
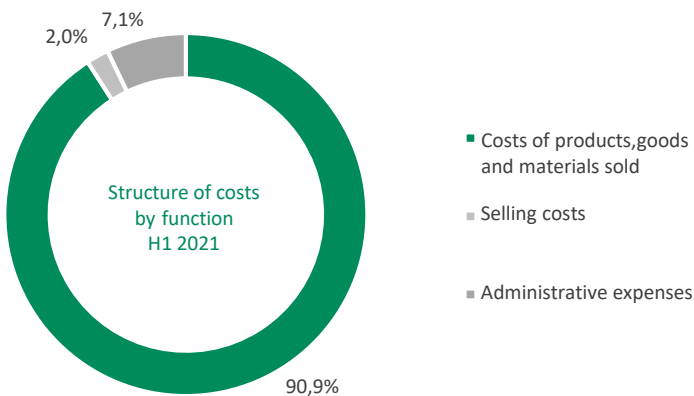
The value of hospitality expenditure and advertising costs rose by PLN 1.0 million as a consequence of additional sponsorship agreement concluded in 2021.

The increase in taxes and charges by approx. PLN 3.5 million is primarily attributable to an increase in the service charge, the real property tax, and the National Fund for the Disabled.

Other costs grew by PLN 21.4 million mainly on account of a new insurance policy concluded for another period.

Costs of LW Bogdanka S.A.

Costs by function



Costs by function

The cost of own production sold (by function) in Q2 2021 amounted to PLN 448,835,000 while in the analogous period of the previous year, it was PLN 380,393,000.

Own cost of production sold (by function) in H1 2021 was PLN 926,136,000 and was higher by 15.4% (PLN +123,873,000) than the cost incurred in the same period of 2020 (higher production and sales).

The growth in administrative expenses, to a great extent, results from higher personnel expenses, audit carried out at the Parent, increase in real property tax and payment to the National Fund for the Disabled.

[PLN '000]	Q2 2020	Q2 2021	Change	H1 2020	H1 2021	Change
Costs of products, goods and materials sold	341,999	406,900	19.0%	724,927	841,973	16.1%
Selling costs	7,026	9,701	38.1%	14,976	18,669	24.7%
Administrative expenses	31,368	32,234	2.8%	62,360	65,494	5.0%
Own cost of sales	380,393	448,835	18.0%	802,263	926,136	15.4%



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

The LW Bogdanka Group pays its liabilities when due. The Group effectively manages its financial resources and, at the same time, deposits free funds with banks (for durations and in values determined on the basis of in-house financial forecasts).

As at the moment of preparing the Report, there is a risk related to the epidemic of SARS-Cov-2 coronavirus, developing from the beginning of 2020 and causing the COVID-19 disease. At present the Management Board finds it difficult to forecast the long-term results of this situation both in the scale of Poland and the industry, and in consequence - difficult to state how it will affect operating and financing activity of the Group 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 2021 and 30 June 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 June 2021 stood at PLN 538,766,000, of which:

- PLN 141,226,000 disclosed in non-current assets,
- PLN 397,540,000 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 397,540,000 includes financial resources (available cash) a portion of which is kept in short- and medium-term 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 367,769,000, while the funds accumulated at subsidiaries amount to PLN 29,771,000 (primarily at 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. At present, the number of opinions foreseeing the possible fourth wave at the end of Q3 2021 and beginning of Q4 2021 is increasing. As at the date of drawing up this Report, the circumstances described above did not, however, materially impacted the Group's operations in 2020. Very good production results which translated into the financial result in H1 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.

2. Agreement with the social side – on 2 July 2021 the Parent entered into agreement with the employees. One of its main premises is the guarantee of employment for the period of 5 years starting

1 July 2021 and covering the employees of the Parent and other companies of the LW Bogdanka Group. The Group currently analyses the impact of the concluded agreement on the consolidated financial statements and future financial results. The results will be discussed in the annual consolidated financial statements for 2021. Key assumptions of the employment guarantee which may affect Group's future financial results were described in Note 34 of the condensed interim consolidated financial statements of the LW Bogdanka Group for the first half of 2021.

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

The issue is discussed in more detail in Note 29 of the condensed interim consolidated financial statements of the LW Bogdanka Group for the first half of 2021.

Information on financial instruments, bonds

Information on derivative financial instruments

As at 30 June 2021, the Parent held one open derivative financial instrument. The transaction was concluded with a bank for the purpose of securing the currency exchange risk for cash flows resulting from a trade contract of the Parent. The value of the forward transaction was USD 869,000 and was settled in July 2021.

Bonds

As at 30 June 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 H1 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 H1 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 H1 2021, the LW Bogdanka S.A. did not grant or receive any sureties or guarantees.

Transactions with related entities

In H1 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 31 of the condensed interim consolidated financial statements for the period of 6 months ended on 30 June 2021.

Contracted loans

In H1 2021 LW Bogdanka S.A. had one loan agreement in effect.

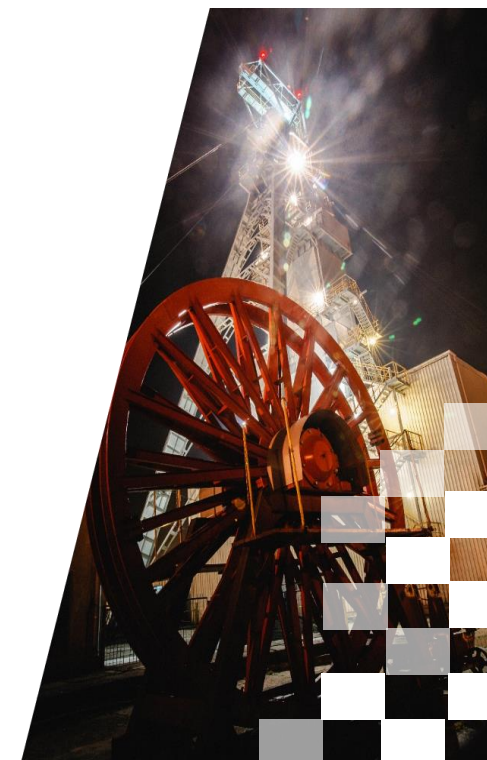
On 11 May 2021, the Parent concluded with Bank Gospodarstwa Krajowego S.A. Annex 1 to the open revolving overdraft facility agreement with a credit limit of PLN 150 million. Annex 1 prolongs the facility expiry date for another 12 months, that is by 12 May 2022. The facility is a revolving overdraft facility and serves for financing the ongoing operations of the Parent. It bears interest based on 1M WIBOR + fixed bank's margin.

Agreements concerning the subsidiaries' loans and borrowings

Łęczyńska Energetyka Sp. z o.o. continues the repayment of the loan (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. The loan bears interest of 0.7 of the rediscount rate set by the Monetary Policy Council, not less than 4.0% annually. In 2014-2016, 100% of the granted loan amount was used, and its repayment will be gradually performed until 31 July 2024.

Except for the above loan, Łęczyńska Energetyka Sp. z o.o. did not use any third-party financing for its operations in H1 2021.

In H1 2021, the following Subsidiaries: EkoTrans Bogdanka Sp. z o.o., RG Bogdanka Sp. z o.o., MR Bogdanka Sp. z o.o., did not grant, incur or terminate agreements regarding credit facilities and loans.





4

Shares and shareholding

Share capital 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 H1 2021 LW Bogdanka S.A. and subsidiaries of LW Bogdanka S.A. did not acquire any treasury shares of the Company.

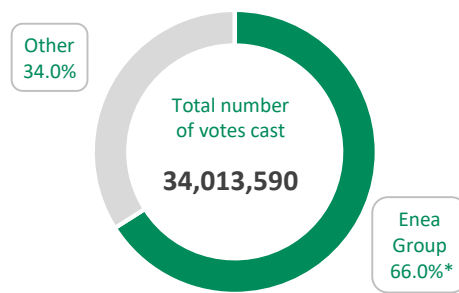
Changes in the shareholding structure by the date of the Report

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 Q1 2021 to the day of publication of the Report for H1 2021.

Shareholding structure

The graph below shows a shareholding structure of the Company as at 15 September 2021.

Shareholding of LW Bogdanka S.A. as at 15 September 2021

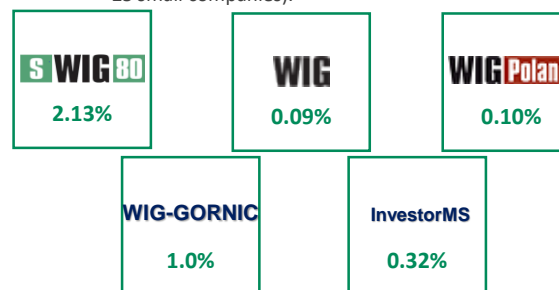


* Enea S.A. holds 64.6% of votes, and jointly with its subsidiary, Enea Wytwarzanie, it holds 66.0% of votes.

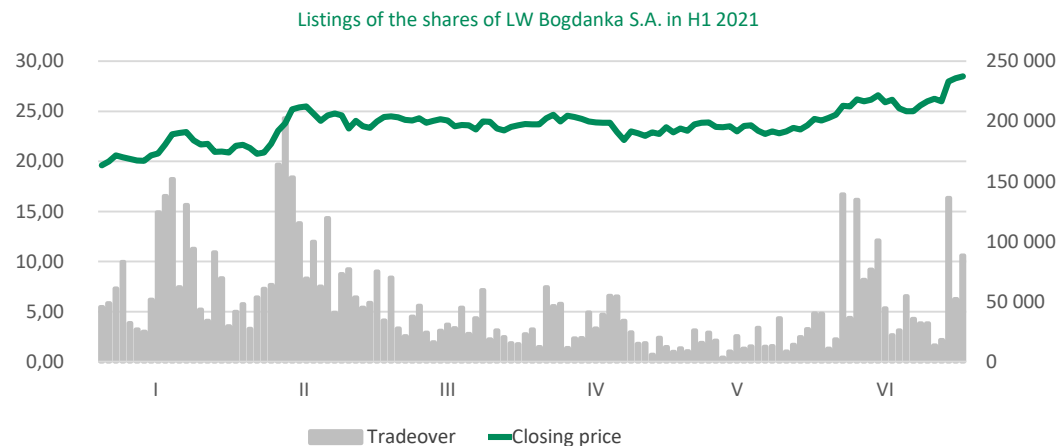
Participation of the LW Bogdanka S.A.'s shares in indices

The Company was first listed on the Warsaw Stock Exchange on 25 June 2009. During H1 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

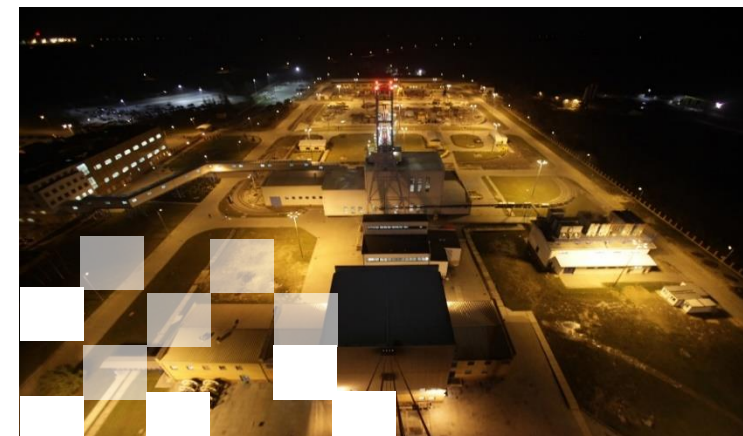


Analysts' recommendations

Date of Issue	Institution	Recommendation	Target price	Price on the date of issue
11 February	Erste Group	Buy	PLN 29.20	PLN 25.20
19 April	Noble Securities DM	Hold	PLN 23.15	PLN 23.85
20 April	PKO Bank Polski	Sell	PLN 18,90	PLN 22.95
27 April	Santander BM	Sell	PLN 11.90	PLN 22.90

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

Key share indicators:	H1 2019	H1 2020	H1 2021
Maximum price [PLN]	56.50	36.50	28.50
Minimum price [PLN]	32.30	14.90	19.60
Last price [PLN]	35.60	22.05	28.50
Average price [PLN]	45.81	22.98	23.59
Capitalisation at end of period [PLN million]	1,210.88	750.00	969.39
Book value [PLN million]	3,121.90	3,263.0	3,371.1
Price/earnings ratio	6.12	20.4	10.1
Price/book value	0.39	0.23	0.29
Dividend rate [%]	-	-	-
Average turnover per session [PLN '000]	1,008.0	1,165.8	1,122.0
Average volume per session	22,917	56,543	47,221
Number of shares in float [no. of shares]	34,013,590	34,013,590	34,013,590



Holdings of shares in LW Bogdanka S.A. by members of the Company's 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 Q1 2021 to the day of publication of the Report for H1 2021.

Holdings of shares in LW Bogdanka S.A. as well as shares in related undertakings of the Company by the management and supervisory personnel of LW Bogdanka S.A.*:

MANAGEMENT BOARD					
Name and surname	Number of the Company's shares as at 15 September 2021	Par value of the shares (PLN)	The number of the Company shares as of 26 May 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
SUPERVISORY BOARD					
Name and surname	Number of the Company's shares as at 15 September 2021	Par value of the shares (PLN)	Number of the Company's shares as at 26 May 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
Szymon Jankowski	0	0	0	0	0
Dariusz Batyra	1,000	5,000	1,000	5,000	0
Krzysztof Gigoł	0	0	0	0	0
Bożena Knipfelberg	0	0	-	-	-
Zbigniew Rak	0	0	-	-	-
Marcin Jakubaszek	0	0	0	0	0
Bartosz Rożnawski	0	0	0	0	0
Michał Stopyra	-	-	0	0	0
Grzegorz Wróbel	0	0	0	0	0
TOTAL	Number of the Company's shares as at 15 September 2021	Par value of the shares (PLN)	Number of the Company's shares as at 26 May 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 15 September 2021

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

Composition of the Supervisory Board of LW Bogdanka S.A. as at 15 September 2021

Changes in the composition of the Supervisory Board

On 1 June 2021, the Extraordinary General Shareholders Meeting adopted resolutions dismissing Ms Iwona Golden and Mr Michał Stopyra from the Company's Supervisory Board and appointed Ms Bożena Knipfelberg and Mr Zbigniew Rak instead.

Composition of the Supervisory Board of LW Bogdanka S.A. as at 15 September 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
- **Bożena Knipfelberg** - Member of the Supervisory Board
- **Zbigniew Rak** - Member of the Supervisory Board
- **Bartosz Rożnawski** - 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 the 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.

Bożena Knipfelberg

She studied Management and Marketing at the Opole University of Technology and graduated with a degree in Economics. She also completed postgraduate studies in Accounting and Finance at the Warsaw School of Economics. She successfully completed a course for candidates for members of Supervisory Boards in State Treasury companies and, as a result, earned a diploma from the Minister of the State Treasury.

Bożena Knipfelberg is an experienced finance manager in companies from the power and telecommunications sector. She has worked in the professional power sector from 2007. She boasts extensive experience in finance, controlling, reporting, procurement, restructuring of organizations, as well as efficiency assessment

of investment projects in companies.

She has been part of the ENEA Group since March 2021. Bożena Knipfelberg holds the position of Group's Director of Controlling Department. Previously, she worked in PGE Group, where she served as Finance Director of Opole Power Plant, and then as Director of Finance Controlling Department of PGE Górnictwo i Energetyka Konwencjonalna S.A. She also worked as Finance Director at a Polskie Koleje Państwowe Group company. She was a member of the Supervisory Board of Eltur – Serwis Sp. z o.o., a PGE Group subsidiary.

Szymon Jankowski

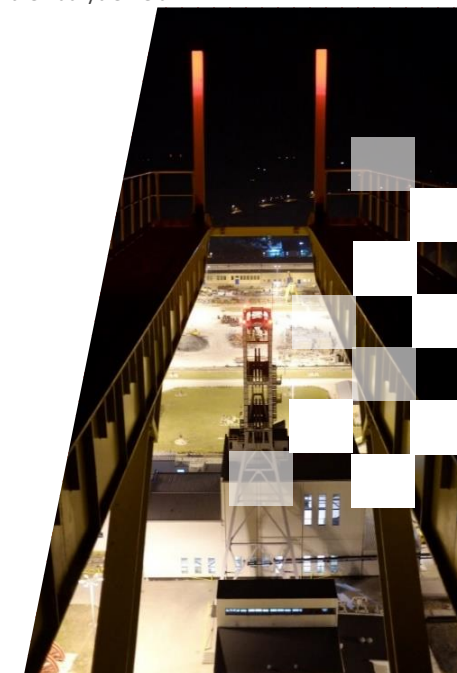
Szymon Jankowski graduated from the Academy of Economics in Poznań (currently Poznań University of Economics), where he completed studies in management and marketing at the Faculty of Management. He is also a graduate of post-graduate studies at the Poznań University of Economics in commercial law, as 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 for Enea S.A.

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 15 September 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.

Zbigniew Rak

He graduated from the AGH University of Science and Technology, where he completed studies at the Mining Faculty, earning an M.Sc. Eng. degree in Mining and Geology. In 1996 he graduated from the same University with an M.Sc. Eng. degree in Management and Marketing. Between 1991 and 1992 he studied at the School of Mining at the University of Oviedo in Spain. In 2001 he received the degree of Doctor of Engineering in the field

of Mining. From the offset of his professional career Zbigniew Rak has been part of the Faculty of Mining (later the Faculty of Mining and Geoengineering) of the AGH University of Science and Technology in Krakow. In addition to his scientific work, he manages cooperation with the Polish mining industry and advises on technical matters and design projects. He has been serving as mining plant operations expert for the President of the State Mining Authority since 2003. Zbigniew Rak has partnered with various global mining plants, for instance in the Czech Republic, Slovakia, Russia, Spain and Chile. Since 2014 he has been running his own business focusing on designs for the mining industry. In 2017 he was a member of the Supervisory Board of KOFAMA Koźle S.A. He wrote over 50 papers on mining.

Grzegorz Wróbel

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





Glossary

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

Signatures of all Members of the Management Board

Artur Wasił

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, 15 September 2021



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