

Directors' Report on the Operations
of LW Bogdanka S.A.
and the LW Bogdanka Group
for **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

18.5%

Share in the thermal coal market

23.1%

Share in the supplies of coal to the commercial power sector

29.2%



Dear Sirs and Madams,

2021 saw consistent implementation of our development strategy. The Company reached the level of daily production amounting to over 30,000 tonnes, extracted 9.9 million tonnes of coal and sold 10 million tonnes. These results are record-breaking for LW Bogdanka S.A.

Such results were made possible thanks to prospective planning of preparatory works and their execution in 2020. The volume of the coal sold shows both the scale of our operations and our significance in the market.

Company's share in the supplies of coal to the commercial power sector in Poland now exceeds 29%. This is also a result of making best use of market opportunities found in the second half of 2021, when production increased in response to coal deficiency in Poland and abroad. Last year we signed a significant contract with Ukrainian partners. As of now we supply coal if circumstances so allow and the partners are able to collect it. We find the

Ukrainian market important as we perform our strategy and search for new sales markets. We witness with concern the current events, respond to them and provide help.

Polish power sector is and for many years will still be based on coal, but the role of the raw material in Europe changed. Therefore we introduce a number of technological changes while performing our strategy step by step. We are striving to concentrate our production in one place, which trims down operating expenses. In December 2021 we switched to excavation limited to only two walls, reaching a daily net output above 30,000 tonnes. Before, we needed four walls to achieve a comparable level. We have been pursuing projects to automate our processes to reduce third party services and we have been increasing the utilization rate for our machinery. We have started tens of projects to improve efficiency. They will bring us measurable financial benefits and their effects should already be visible next year.

We continuously implement innovations – such as the Internet of Things, implemented underground and continuously improved – and intend to launch a comprehensive energy optimization project, which has already produced very promising outcomes. We are trying to reduce our consumption of steel by properly designing excavations; we also are able to recover and reuse a relatively large proportion of steel. Moreover, we enhance the comfort of work with one of our achievements being the introduction of binary ice in air conditioning installations. We are filled with pride as this is the only project of this type in the world.

We wish to make use of our expertise to extend the scope of Company's operations to include activities outside of our core business. We have launched a number of initiatives to diversify our operations. Some of the projects will soon be completed, other are at the tender stage, and the remaining ones are investigated in terms of cost-effectiveness.

Last year we focused on making best possible use of our production capacity, in 2022 we plan to reach production goals as provided for in the Strategy. Our investment priority is going to be the construction of the longwall workings that will be required for operations in next years. Improvement of efficiency and efforts aimed at diversifying sales based on the future production of coking coal also continue to be our priorities. We have already received our license for exploration and identification of type-35 coal.

Despite the significant unpredictability we can see in the coal market, we will take benefit of our expertise and Company's experience so that 2022 can be another good year for our Company.

I am pleased to present to you the Directors' Report on Operations of LW Bogdanka S.A. and the LW Bogdanka Group as well as financial results for 2021.

Sincerely,

Artur Wasil
President of the Management Board of LW Bogdanka
S.A.

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Summary of operations

Operating data

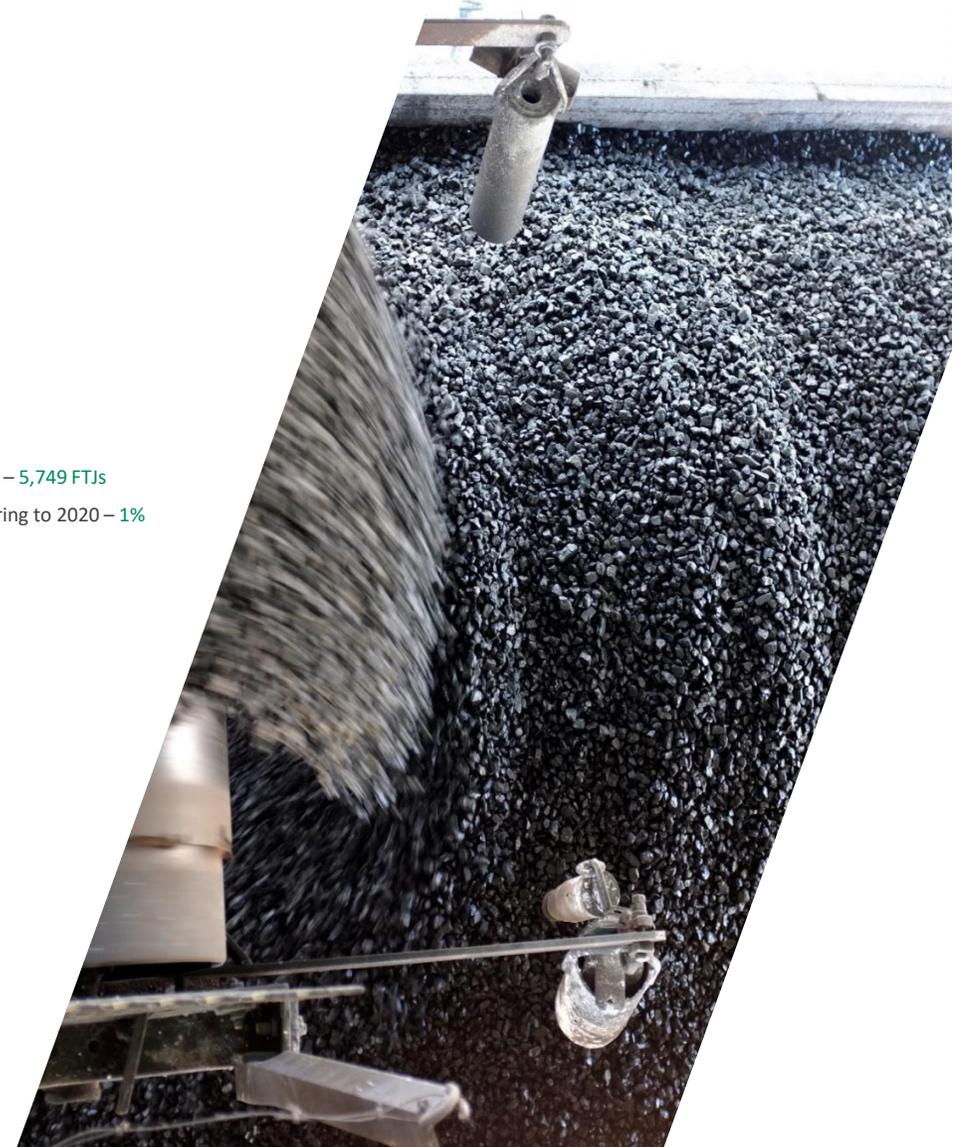
Gross coal extraction – 14.3 million tonnes
Production of commercial coal – 9.9 million tonnes
Yield – 69.4%
Sale of commercial coal – 10.0 million tonnes
New excavations – 23.2 km

Financial data

Revenue on sales – PLN 2,371.3 million
Profit on sales – PLN 368.5 million
EBIT – PLN 366.8 million
EBITDA – PLN 797.6 million
Net profit – PLN 288.3 million

Workforce

Headcount at the end of 2021 – 5,749 FTJs
Increase in headcount comparing to 2020 – 1%



LW Bogdanka S.A. is one of the leading coal producers in Poland, standing out in the industry in terms of financial performance, productivity, and investment plans to access new deposits. The thermal hard coal sold by the Company is mostly used to produce electricity, heat and cement. The Company's customers are mainly industrial companies, especially entities operating in the power industry, located in the east and north-east of Poland. LW Bogdanka S.A. makes part of the Enea Group, one of the leaders of the Polish power market. The Company has been listed on the Warsaw Stock Exchange since 2009.



LW Bogdanka S.A. has three excavation fields:

- Bogdanka
- Nadrybie
- Stefanów

In 2021, the coal production structure was as follows:

- fine coal – 98.5%
- pea coal – 1.5%

The Company's main customers include (% share in revenue):

- Enea Group – Enea Wytwarzanie (66%)
- the Enea Group – Enea Połaniec (11%)
- Azoty Group - Zakłady Azotowe Puławy S.A. (6%)
- Energa Elektrownie Ostrołęka (3%)

The Company holds four mining licences for extraction of hard coal from the following deposits:

- Bogdanka (Puchaczów V)
- Stręczyn, K-3
- Ostrów
- K-6, K-7

Assuming annual coal production at the level of about 9.0 million tonnes, the resources of the areas considered to be of key importance to the 2030 Strategy alone will ensure about 50 years of continuous exploitation.

Cutting-edge technologies

LW Bogdanka S.A. cares for its employees' safety and for the environment. It utilises the most advanced technologies and world-class machines and equipment in its extraction processes. As a result, it is the leading mine with the highest efficiency and effectiveness ratios in Poland. The Company's underground efficiency rate is twice as high as the average for Poland's hard coal mining sector.

Cost control

The Company continues to be the efficiency leader in Poland's mining sector due to its Cost Optimisation Programme which is consistently pursued. Its strategy assumes further reduction of the Unit Mining Cash Cost.

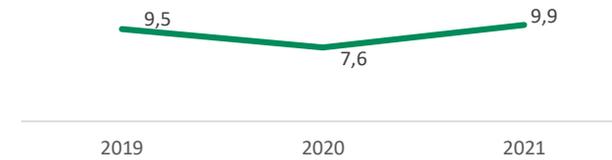
The Company has a deposit management system:

- Digital deposit model (so far the only one in Poland's hard coal mining industry)
- Digital maps of mine excavations
- Digital timetable of opening, preparatory and extraction works.

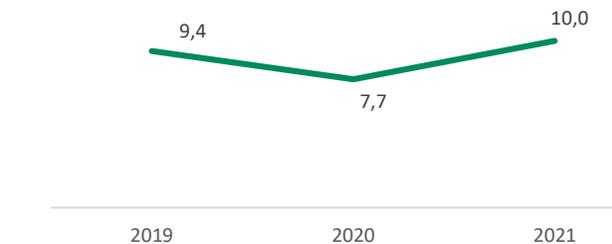
The following factors contributed to our success:

- our staff – highly skilled, sharing our advanced technology-oriented culture, and focused on efficient cooperation and common goals
- our machines and equipment – highly efficient, reliable, energy saving, well chosen to existing geological and mining conditions, and enabling the mechanisation of both core mining and various auxiliary operations
- mechanisation and automation of underground work wherever feasible
- our leading-edge computer systems implemented in a variety of areas of mining operations to streamline technology processes, to monitor machines and equipment and to plan production, identify risks, etc.

Production [million tonnes]



Sale [million tonnes]



Key events in 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

- 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

Q3 2021

- conclusion of further Additional Agreements and Annexes to the Long-term Agreement with ENEA Wytwarzanie Sp. z o.o.
- conclusion of an Additional Agreement and Annexes 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

Q4 2021

- conclusion of further Additional Agreements and Annexes to the Long-term Agreement with ENEA Wytwarzanie Sp. z o.o.
- next annexes to the agreement with Enea Elektrownia Połaniec S.A.
- annex to the agreement with Grupa Azoty Zakłady Azotowe Puławy S.A.
- license for exploration and recognition of the Łaszczów field

Key events after the balance-sheet date

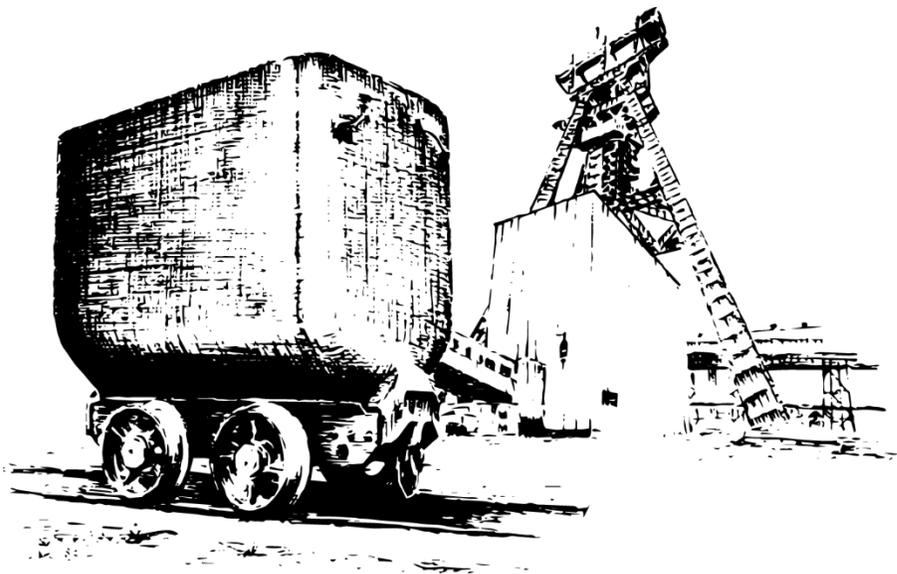
- outbreak of military conflict in Ukraine
- appointment of Vice-President of the Management Board for Operations





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Organisation and business
activities of the LW Bogdanka
Group



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

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

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

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

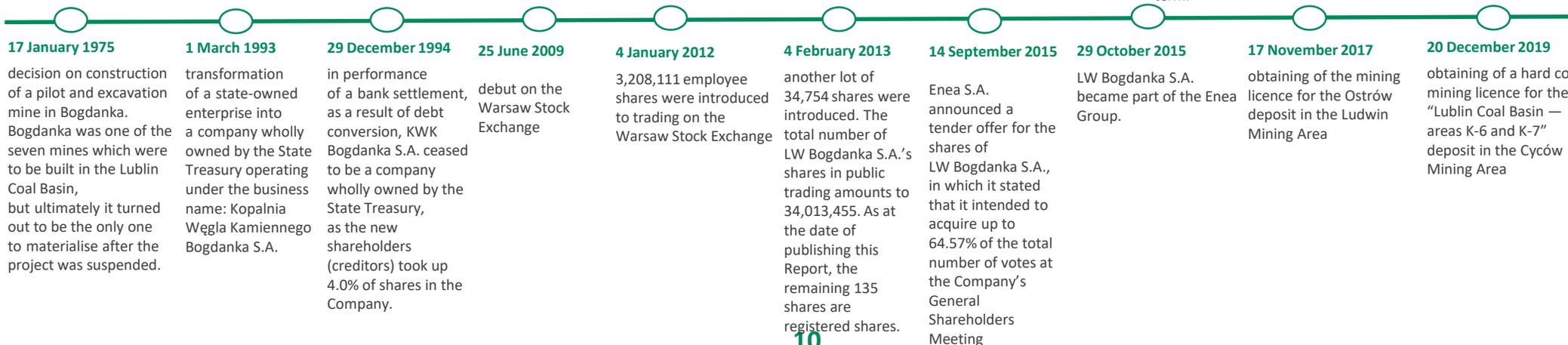
- Act of 15 September 2000 – Commercial Companies Code
- Act of 9 June 2011 – Geological and Mining Law

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

The Company may operate in Poland and abroad.

The Company was established for an indefinite term.

History in brief



Structure of the LW Bogdanka Group



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

Changes in basic management rules of LW Bogdanka S.A.

In order to make the rules of management of LW Bogdanka S.A. more precise, the following steps were taken in 2021:

- the following documents were implemented for application in the company Lubelski Węgiel "Bogdanka" S.A.: the Business Continuity Management Methodology for Lubelski Węgiel "Bogdanka" S.A. and the Business Continuity Management Policy for Lubelski Węgiel "Bogdanka" S.A.
- inspectors were appointed as part of the Safety Management System (SMS) and the

Maintenance Management System (MMS) in Railroad Transport

- "Rules of conduct in the event of SARS-CoV-2 virus infection or probable infection of an employee" were introduced in Lubelski Węgiel "Bogdanka" S.A.
- regulations were implemented in the area of communication activities of Lubelski Węgiel "Bogdanka" S.A.
- procedure for creation of a list of unreliable vendors was adopted for application in Lubelski Węgiel "Bogdanka" S.A.
- Internal Audit Rules were introduced
- Rules of securing by users information provided electronically were implemented
- a requirement was introduced for employees

of Lubelski Węgiel "Bogdanka" S.A. and employees of other companies performing work at Lubelski Węgiel "Bogdanka" S.A. to comply with the obligations, rules and guidelines implemented to prevent, contain and eliminate COVID-19

- an updated Personal Data Protection Policy of Lubelski Węgiel "Bogdanka" S.A. was implemented
- employees of the Company and third party contractors were obliged to have a valid COVID certificate to initiate development activities and to participate in internal training organized by LWB as classroom activities
- updated Rules of the Incentive Program for Management of LW Bogdanka S.A. (MBO) was

implemented, in force from 2022

The Company has updated its existing documentation and introduced the new ones in order to increase transparency and streamline a delivery service process.

Production capacity and factors material for development of LW Bogdanka S.A. and its whole Group

The mining area exploited by the Company is divided into three mining fields:

- Bogdanka Field
- Nadrybie Field
- Stefanów Field

Shafts of the mine are located in:

- Bogdanka
- Nadrybie
- Stefanów

While the lifting shafts are located in:

- Bogdanka
- Stefanów

The Company holds four mining licences for extraction of hard coal:

- Bogdanka deposit, covered by the "Puchaczów V" mining area (seams 382, 385/2, 389 and 391), having a surface area of 73.3 sq. km, located in the Communes of Cyców, Ludwin and Puchaczów in the Lublin Province
- K-3 area covered by the "Stręczyn" mining area (seams: 379/2, 385/2, 391), having a surface area of 9.38 sq. km, located in the Communes of Cyców and Puchaczów in the Lublin Province
- Ostrów deposit in the Ludwin mining area, situated in the area of Ludwin, Łączna, Ostrów Lubelski, Sosnowica, Uścimów and Puchaczów communes and municipalities, with an area totalling 78.67 sq. km; mining will be carried out in seams 377/1, 379, 382 and 385/2
- K-6, K-7 deposit in the Cyców mining area, situated in the area of Cyców commune, with an area totalling 51.78 sq. km; mining will be carried out in seams 379, 380, 382, 387, 389 and 391.

Factors material for the development of LW Bogdanka S.A. and the whole Group

- stable level of sales thanks to being part of the Enea Group
- rich resources of hard coal ensuring continuity of production for a long time
- highly qualified employees, technical culture
- innovativeness and development of cutting-edge technologies
- long-term experience translating into efficiency and flexibility in the conducted business
- On 30 November 2022 LW Bogdanka S.A. was granted a license for exploration and recognition of type 34 and type 35 coking coal in the Łaszczów deposit.



Hard coal reserves - Bogdanka (Puchaczów V) - updated as at 31 December 2021

Reserves [million tonnes]	year			Difference 2021-2020
	2019	2020	2021	
Total balance	742.6	738.9	730.3	-8.6
Industrial	247.3	243.9	234.0	-9.9
Operating resources	185.7	182.9	175.3	-7.6

Hard coal resources (updated as at 31 December 2021)

Reserves [million tonnes]	Ostrów	K-6,K-7	Stręczyn, K-3
Total balance*	1,251.1	654.4	144.7
Industrial	250.4	91.1	25.8
Operating resources	171.5	65.6	20.9

*Balance resources (covered by a licence)

Licences

Mining activities in the area of economic scale hard coal mineral excavation must be compliant with Geological and Mining Law.

- in the Strategy until 2030 (under the 2040 framework), the key areas for the Company include Puchaczów V, Stręczyn (K-3), Ludwin (Ostrów), and K-6, K-7
- The Company obtained a mining licence for the Ludwin area in 2017. This allowed the exploitable resources held by the Company to be doubled.
- The Company obtained a mining licence for the Cyców area in 2019. This allowed the exploitable resources to be increased by 66 million tonnes.
- assuming annual coal production at the level of about 9.0 million tonnes, the resources of the areas considered to be of key importance to the 2030 Strategy alone will ensure about 50 years of continuous exploitation.
- On 30 November 2022 LW Bogdanka S.A. was granted a license for exploration and recognition of type 34 and type 35 coking coal in the Łaszczów deposit.



LW Bogdanka S.A. holds the following mining licences:

Deposit	Licence No.	Granted on	Expiry date
Bogdanka	5/2009	6 April 2009	31 December 2031
K-3	3/2014	17 June 2014	17 July 2046
Ostrów	6/2017	17 November 2017	31 December 2065
K-6, K-7	10/2019	20 December 2019	31 December 2046

Permit	Number	Issuing authority	Granted on	Expires on
Water permit for special usage of water resources, which covers:			31 December 2007	31 December 2017
a) drainage of the LW Bogdanka S.A. mine in Bogdanka	ŚiR.III.6811/91/07	Lublin Province Governor	28 December 2017	27 December 2021
b) disposal of unused mining water from the pit water settling tank using the outflow ditch into the RE "Żelazny" stream, which is a tributary of the Świnka river				
Permit to conduct mining / building works connected with mining waste dump extension	L.dz.5/512/1/93/AG	Regional Mining Authority (Okręgowy Urząd Górniczy) in Lublin	30 March 1993	-
Permit approving construction design for enlargement of the mining waste neutralization facility in Bogdanka	L.dz.LUB/02/35/56/11/12/MS	Regional Mining Authority (Okręgowy Urząd Górniczy) in Lublin	7 February 2012	-

LW BOGDANKA S.A.'s development strategy

On 16 December 2020 the Parent published the document "Key components of the Development Strategy of LW Bogdanka S.A. from the Mining Area of the Enea Group until 2030 (under the 2040 framework), including the dividend policy." The adopted Strategy reflects Poland's 2040 Energy Policy and constitutes a link in the 2030 Development Strategy of the Enea Group (under the 2035 framework) as it covers, among other things, activities to meet the assumed demand for thermal coal on the side of power and cogen plants from the Generation Area of the Enea Group.

Vision

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

Mission

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

In the course of the activities to formulate the Strategy, two main Strategic Goals were identified:

- Maintaining the position of the market leader in thermal coal supplies for commercial power plants in Poland, who successfully competes with importers;

- Maintaining high efficiency and profitability of production due to innovative organizational as well as technical and technological solutions.

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

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

- 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).

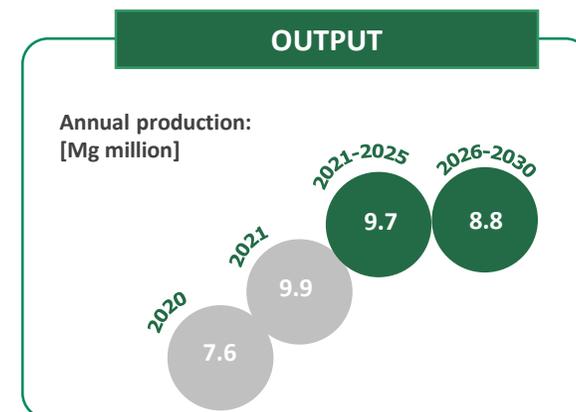
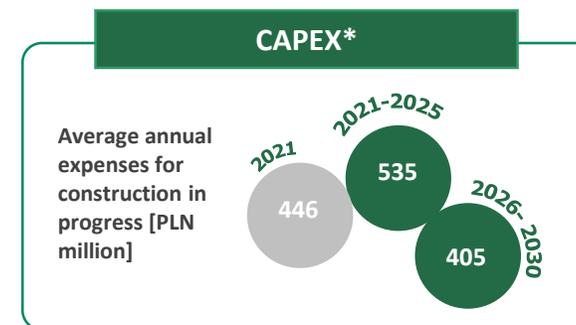
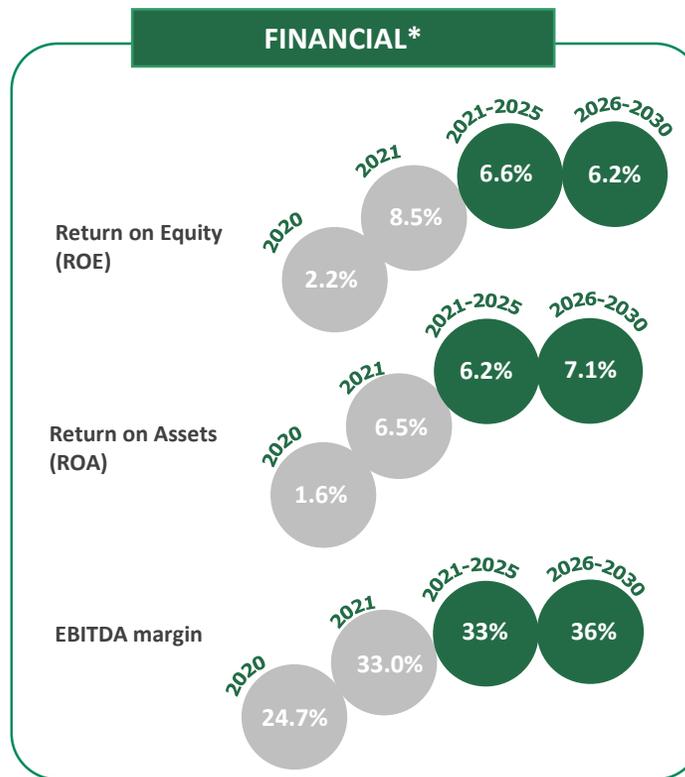
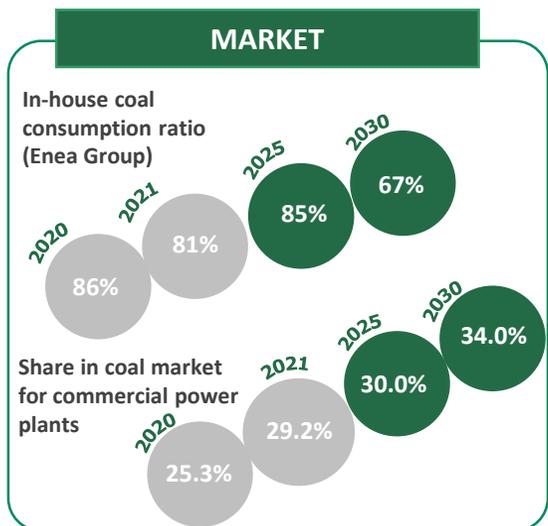
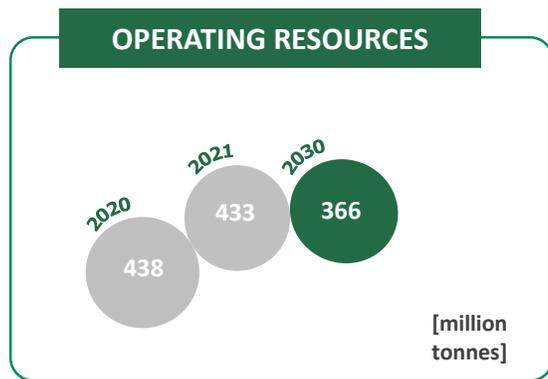
Corporate social responsibility (CSR)

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 International Financial Reporting Standards.

Implementation of development strategy of LW Bogdanka S.A. in 2021



* Measures do not include expenditure and results of implementing strategic initiatives. Approximated price of thermal and coking coal in PLN/GJ was assumed for analysis.

Development strategy of the subsidiaries

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

The Management Board of Łęczyńska Energetyka sp. z o.o. defined the following strategic goals for the company, to be pursued in the years to come:

- Change of the heat generation resulting, *inter alia*, from the necessity to ensure uninterrupted supply of thermal energy to customers (by guaranteeing an additional back-up generating capacity to mitigate the risk of disruptions in the heat generation process) and to gradually depart from coal as fuel. As the first stage, in 2022-2023, two gas cogeneration systems will be built in Łęczna and a coal-fired boiler will be replaced with gas-fired one in Zawadów.
- Modernization of the main heat line Bogdanka - Łęczna – this task will be performed with a view to reducing significant transmission losses and protecting the network against gradual corrosion, thus making it available for use in subsequent years.

All those investment projects are planned to be implemented from the company's own funds, except that in the case of the Bogdanka-Łęczna heat line the source of financing may change (if aid funding is received).

Development strategy of MR Bogdanka Sp. z o.o.

The company's strategic goals include:

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

The company's main objectives include:

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

Development strategy of EkoTrans Bogdanka Sp. z o.o.

In 2022 and onwards the Company is planning to conduct business operations related to mining waste management. The Company aims to recover and recycle nearly 2.5 million tons of waste generated by dry and wet coal processing annually.

Development strategy of 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 2021

In 2021, LW Bogdanka S.A. performed the planned investment tasks. In this respect capital expenditures for non-current assets totaled PLN 445,808,000.

The plan for 2021 included the following groups of tasks: development and replacement investments, including purchases, upgrades and repairs of machines and equipment, enlargement of the mining waste neutralization facility, enlargement of the coal storage yard, longwalls, upgrade of the central air conditioning system in Stefanów, etc., as well as operational investments, including construction and upgrade of workings in the Bogdanka, Nadrybie, Stefanów and Ostrów Fields.

Investments and replacement investments of LW Bogdanka S.A.

Maintenance of machinery

- Purchase of new machines and equipment to be assembled - suspended diesel locomotives, air barrages, PWP sifters and cooling equipment was bought for a total amount of PLN 2,142,000. PLN 1,493,000 were spent for assembling of belt conveyors, air barrages, belt feeders and crushers.
- Purchases of finished machines and equipment – the finished goods worth PLN 36,388,000 were purchased. The most important items included: ready-made transportation devices (including hoists, braking trolleys, carriers for transporting euro-pallets), hydraulic pumps and aggregates, electric devices (including motors, protection devices tester, flameproof bay of substation, LF1 switch), other ready-made devices and manoeuvring locomotives.
- Modernization and repairs of machinery and equipment – PLN 14,334,000 were spent for modernization of the Panda device, belt conveyors and Scharf diesel locomotives, Bevex suspended locomotives, upgrades of hoists, wagon repairs, as well as modernization of the system of haulage equipment on belt conveyors.

New licences

- Extension of the mine by adding a new extraction field – Łaszczów deposit – PLN 1,378,000. A license for exploration and recognition of a hard coal deposit was obtained.

Longwalls

- Purchase and assembly of ploughing complex 6 – PLN 120,321 were spent for supply of the ploughing complex 6 components as per the signed agreements.
- Purchase and assembly of ploughing complex 7 – PLN 13,724 were spent and the delivery of the ploughing complex 7 is in progress as per the signed agreements.

Other development investments

- Enlargement of the mining waste neutralization facility in Bogdanka for PLN 183,000. Works are pending to raise the waste dump and the first stage of designing was completed by obtaining a building permit. The architecture and construction design and the landscaping design were prepared.
- Extension of the coal storage area – expenditure of PLN 3,949,000 on works related to extension of target land development and equipping commercial coal storage site.
- Power, telecommunications and mechanical installations – PLN 844,000; 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 for hoisting machinery and other electromagnetic systems – expenditure of PLN 2,232,000 was made. The investments included modernization of control systems for the main fans station, upgrade of the propulsion system and shaft signaling of hoist machinery in shaft 1.3, as well as modernization of belt conveyor control and signaling system.
- MCPP replacement projects – PLN 8,410,000 was assigned for further modernisation of steel structures and MCPP facade; drainage pipeline was made in the MCPP facilities; inspection holes above reservoirs are being made in the MCPP facility.
- Construction and modernisation of facilities and installations related to core operations – PLN 23,729,000 – continuation of the investment: modernisation of the central air conditioning system in Stefanów, 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.
- Other expenditures - PLN 965,000 - included a switching station and 110/6kV station facilities.

ICT – PLN 6,606,000 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.

Other – PLN 2,068,000 was spent for, among other things, construction of structures above the Bogdanka Field and railway investments; PLN 758,000 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 made as part of investments in 2021 was approx. 21.6 km (total: 23.2 km) and their value amounted to 172,898,000.

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 33,386,000.

Investment projects completed in 2021

The LW Bogdanka Group companies incurred expenditure for non-current assets of PLN 7,020,000.

Łęczyńska
Energetyka and
other subsidiaries
LW Bogdanka S.A.

Łęczyńska Energetyka

Investment tasks completed in 2021 included: expansion of the Water Treatment Station in Bogdanka and projects related to production, transmission and distribution of heat. In 2021 the company's capital expenditure totalled PLN 5,002,000.

RG Bogdanka, MR Bogdanka

In 2021 incurred capital expenditure in the total amount of PLN 2,018,000. These expenses were related to material investments.

Selected items of capital expenditure in the LW Bogdanka Group

[PLN '000]	PTE 2021	PTE 2021 implementation	PTE 2021 implementation [%]	PTE 2022
New workings and upgrade of existing ones	297,846	206,284	69.3%	408,893
Maintenance of machinery	83,389	54,357	65.2%	127,827
Obtaining new licences	3,150	1,378	43.7%	6,000
Longwalls	118,500	134,045	113.1%	10,000
Other development investments	62,696	40,312	64.3%	65,539
ICT	17,034	6,606	38.8%	21,253
Other	7,491	2,826	37.7%	29,688
Total CAPEX of LW Bogdanka	590,106	445,808	75.5%	669,200
Łęczyńska Energetyka Sp. z o.o.	5,262	5,002	95.1%	6,000
Other subsidiaries	2,323	2,018	86.9%	3,796
Total CAPEX at the LW Bogdanka Group	597,691	452,828	75.8%	678,996

Capital expenditure for excavations in 2021.

Excavations and works – total	Depreciation method	Length [m]	Value of the coal from the excavations [PLN '000]	Full value of capital expenditure [PLN '000]	Value of capital expenditure [PLN '000]
Longwall excavations	natural	17,696			
Basic excavations	linear	2,557	77,918	284,201	206,283
Reconstructions	linear / natural	1,619			

In 2021, 21,581 m of roadway excavations were made. Reconstruction of the excavations were continued in accordance with the schedules. The total expenditure on reconstruction of the corridor workings in that period amounted to PLN 33,386,000. The total expenditure incurred on the new workings and on the modernization of the existing ones amounts to PLN 172,898,000.

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 1328 m.

Planned investment tasks in 2022

Operational
investments
in LW Bogdanka S.A.

New workings and upgrade of existing ones

Plans assume the construction of new excavations, mainly longwall galleries, main galleries, cross-headings and the remaining technological and access excavations to enable mining operations in seams 382, 385/2, 389, and 391 in the Bogdanka, Stefanów, and Nadrybie Fields. Reconstructions of mining excavations will also be conducted.

Development
investments in
LW Bogdanka S.A.

New licences

The Company planned an expenditure for drillings of recognition holes in the Łaszczów mining area – “type 35 coking coal” project

Maintenance of machinery

- Purchase and assembly of new machines and devices subject to assembly – in 2022 plans include the purchase of suspended diesel locomotives, mining track locomotives, a belt conveyor, air barrages, PWP vibration sifters, cooling equipment, a roadheading machine, a self-propelled drilling and bolting machine, and a WARAN return station.
- Purchases of finished goods (machines and equipment) – planned purchases include: ready-made transportation devices (including transport platforms, container cars without running gear, transport hoists, and extracted material carriers for transporting euro-pallets), pumps and hydraulic power packs, electric devices (including motors, electric equipment, flameproof switchboards), and other ready-made devices.
- Modernization and overhauls of machines and equipment – the plans include upgrade of transformer stations, EL 160LS and SKL roadheading machines, diesel locomotives of the BIZON suspended railway and URW Panda I equipment for excavation works and UDP Mamut equipment for lining work, and overhauls of gallery coal-cutting machines, regular overhauls of cars, upgrades of 1600 belt conveyors (to make them fit for personnel transport).
- Modernization and overhauls of longwall equipment – plans for 2022 include upgrades of 1600 belt conveyors (to make them fit for personnel transport), and overhauls of PF-4 face and subwall conveyors, and overhauls of JOY 4LS longwall coal-cutting machines.

Longwalls

Ploughing complex 7 - in 2022 new equipment will be purchased for exploitation of walls up to 400 meters long.

Other development investments

- Enlargement of the mining waste neutralization facility in Bogdanka – there are plans to continue works to enhance the facility as part of Stage I in Sector V (including preparation of the design documentation) and purchase of land for further stages.
- Expansion of the coal storage – works will be continued to enlarge the facility and for 2022 the enhancement of the infrastructure is planned, among other things.
- MCPP replacement projects – including modernization of steel structures and MCPP facades, replacement of jiggling machines, upgrades of objects 2.1 and 2.3 and upgrade of the road and yard in the truck scale area.

ICT

- Integrated Production Management System – implementation of an underground wireless communication system is planned.
- The “Smart Mine” project – in 2022 works will be continued to create an object map system.
- Alarm and monitoring systems – plans include implementation of a company facility monitoring system, enhancement of the automation and CCTV system in the area of belt delivery in the Stefanów field and implementation of an output monitoring and automated delivery system.
- Purchase of ready-made equipment – ICT – purchase of computer and network hardware and software, and purchase of underground mobile computer hardware.

Other

- Construction of surface facilities in the Nadrybie, Bogdanka and Stefanów fields – main portion of these expenditures will be spent for the construction of a tower crane.
- Environment protection – plans include building a pumping station at the RE Żelazny ditch and a pumping station at A-46 ditch in Kobyłki.
- Railway projects – plans include upgrade of the external railway illumination system of Bogdanka’s railway station.

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

Łęczyńska Energetyka – planned expenditure for investments in 2022 is to be used for investments related to production, transmission and distribution of heat. Expenditure for the purchase of material goods were also planned.

MR Bogdanka – plans for 2022 include purchase and assembly of machines and equipment, as well as ICT systems.

RG Bogdanka – planned expenditures mainly cover purchases of finished goods.

Trade agreements

As in previous years, LW Bogdanka S.A. concluded new commercial agreements and, with respect to long-term agreements already in place, negotiated prices and volumes of deliveries for the following years.

As at the date of release of this report, as a result of the above activities, trade agreements covered nearly 100% of the sales volumes planned for 2022. The Company reveals all material agreements and amendments to them which are vital for its activities in current reports. In 2021, annexes to amend the binding contracts and additional agreements with the following companies were categorized as material:

- Enea Elektrownia Połaniec S.A.
- Enea Wytwarzanie Sp. z o.o.
- Zakłady Azotowe "Puławy" S.A.

Transactions with related undertakings

In 2021 the Company and its subsidiaries concluded no 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.

The following table presents main agreements in effect in 2021 entered into between LW Bogdanka S.A. and its subsidiaries.

In 2021, LW Bogdanka S.A. was bound by a power purchase agreement with Enea S.A. For more information about agreements with the Enea Group and companies controlled by the State Treasury, see Note 31 of the Financial Statements of LW Bogdanka S.A. for 2021.

Agreements between LW Bogdanka S.A. and MR Bogdanka Sp. z o.o.

- delivery of casing pipes and connectors
- repair of machines and devices, repair of tools
- delivery of elements of machines, equipment and steel structures
- repair of transport units of the underground mine railway
- making of SV-36 and SV-32 friction props
- provision of maintenance services, day-to-day repairs, wood shop servicing, snow removal and relocations
- cooperation agreement
- lease of part of the multifunction building (workshops and warehouse),
- weighting fine coal by way of weighting cars with indicated goods on the car scales in Bogdanka
- supply of electrical energy

Agreements between LW Bogdanka S.A. and Łęczyńska Energetyka Sp. z o.o.

- heat energy supplies
- water supplies and disposal of sewage, maintenance services of central heating, usable warm water and technological heat system devices
- sale of thermal coal and electrical power
- lease of facilities
- heating of inlet air on mine's shaft (service and maintenance supervision)
- weighing service
- cold water supplies and waste water disposal from buildings in Zawadów
- service and maintenance of wastewater pump station, sewage disposal installation and network
- investor supervision
- making ID cards

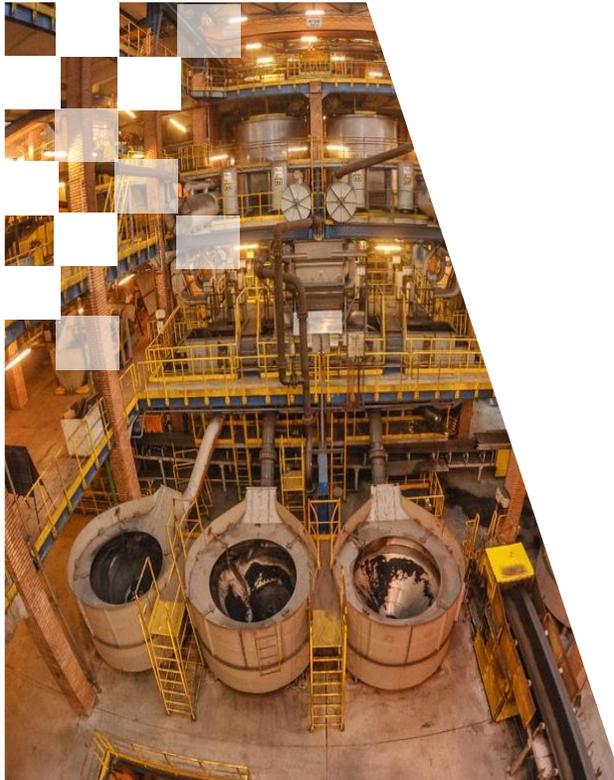
Agreements between LW Bogdanka S.A. and RG Bogdanka Sp. z o.o.

- performance of mining works and provision of services in the LW Bogdanka S.A. mine on business days
- providing explosion works
- lease, rental and lending for use
- auxiliary works, haulage services
- provision of higher-rank mining supervision services in the mining facility

Agreements between LW Bogdanka S.A. and EKOTRANS Bogdanka Sp. z o.o.

- disposal of non-dangerous waste (waste rock)
- rental of office space in a multi-functional building
- truck transport services agreement
- reclamation services.





Information on financial instruments, bonds

Information on derivative financial instruments

As at 31 December 2021, the Parent held one open derivative financial instrument transaction. This transaction had been concluded with a bank as hedging against the currency exchange risk arising from cash flows generated by trade contracts of the Parent. The transaction underlying amount was USD 23 million. The Parent does not apply hedge accounting.

Bonds

As at 31 December 2021 the Group:

- did not have active agreement regarding bond issue
- did not have any issued and unredeemed bonds.

Assessment of the Company's possibilities to enforce its investment plans

As at the date of this Report, the Group sees no threat as to the possibility of acquiring additional debt financing, but points out to the risk that the costs of its acquisition and servicing may be higher than those currently incurred.

Lease and rental agreements

In 2021 total revenue of the Group under lease and rental agreements for land, premises, machines and devices amounted to PLN 8,171,000 net.

Position of the Management Board of LW Bogdanka regarding the possibility of achieving previously published forecasts for the year in question, in light of the results presented in the separate annual report in relation to the forecast results

LW Bogdanka S.A. did not publish projections of financial results for 2021.

Agreements concerning loans and borrowings

Information on loans incurred and granted

In 2021 the Parent did not take or grant, or terminate, any loans.

Information on sureties and guarantees provided and received

In 2021, the Parent did not grant (or receive) any sureties.

Guarantees granted by LW Bogdanka S.A.:

In 2021, the Parent did not request any banks to issue any guarantees.

Agreements concerning the subsidiaries' loans and borrowings

Łęczyńska Energetyka Sp. z o.o. continues the repayment of the loan (of PLN 26,580,000) granted in accordance with an agreement of 9 June 2014 by the Provincial Fund for Environmental Protection and Water Management (WFOŚiGW) in Lublin, which was allocated to financing the construction of the Water Treatment Station in Bogdanka, completed in February 2016. It bears interest of 0.7% of the rediscount rate of bills of exchange set by the Monetary Policy Council, however not less than 4% annually. The loan will be repaid in instalments until 31 July 2024.

Except for the above loan, between 1 January and 31 December 2021 Łęczyńska Energetyka sp. z o.o. did not use any third-party financing for its operations.

In 2021, subsidiaries (EkoTrans Bogdanka sp. z o.o., RG Bogdanka sp. z o.o., EkoTrans Bogdanka sp. z o.o., RG Bogdanka sp. z o.o., and MR Bogdanka sp. z o.o.) did not grant, incur or terminate any agreements relating to credit facilities and loans.

In 2021 LW Bogdanka S.A. had one active loan agreement.

Start date	End date	Lender	Amount of loan granted [PLN '000]	Interest rate	Debt (loans) as at 31 December 2021 [PLN '000]	Repayment period
12 May 2020	12 May 2022	BGK	150,000	WIBOR 1M + margin	-	Overdraft



Coal prices on the international market

CIF ARA coal prices

- USD 173.6/tonne - the average coal price (CIF ARA) in Q4 2021 was higher by 194.2% compared to Q4 2020 (USD 59.0/tonne)
- comparing to average coal price (CIF ARA) in Q3 2021 (USD 155.1/tonne), it's an increase by 11.9%
- average price in 2021 was USD 121.4/tonne, up by 141.4% y/y, (USD 50.3/tonne in 2020)

Inventories in ARA ports

- about 3.5 million tonnes of coal inventories at the end of December 2021 in ARA ports – as at the end of September 2021 the level was 4.1 million tonnes

Prices in the world's main ports

- USD 167.0/tonne - average coal price FOB Baltic Ports in Q4 2021 as compared to Q4 2020 (USD 51.6/tonne) - an increase by 223.6%
- comparing to average coal price in Q3 2021 (USD 136.4 /tonne), it's an increase by 22.4%
- average price in 2021 was USD 110.6/tonne, up by 134.3% y/y, (USD 47.2/tonne in 2020)

China

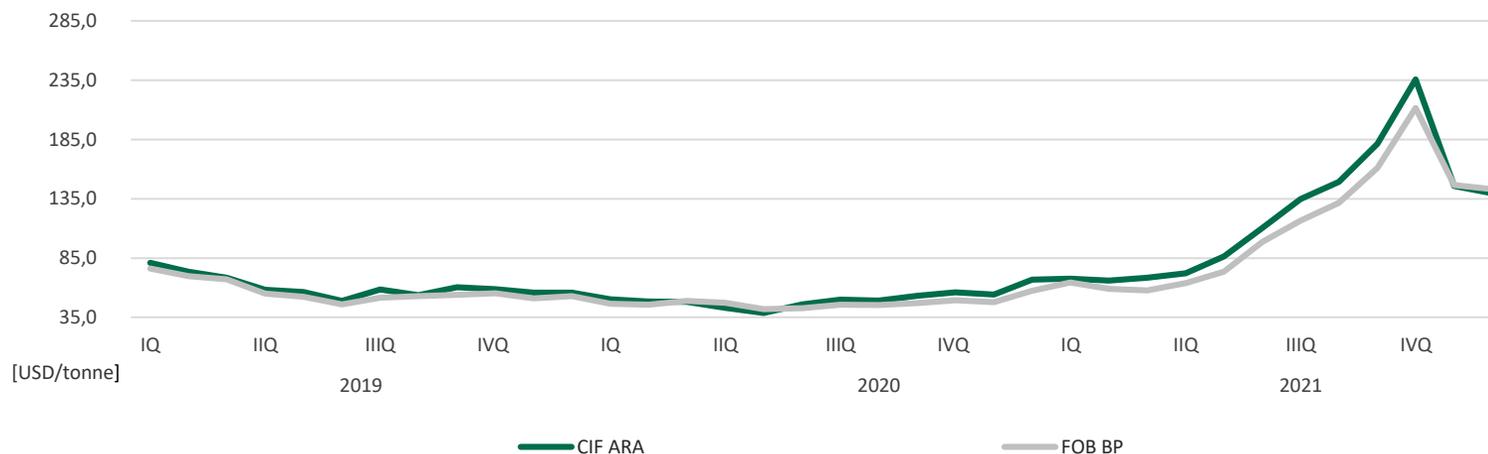
- in 2021 approx. 4.1 billion tonnes of coal were produced, i.e. +7.9% compared to 2020 (3.8 billion tonnes)
- imports in 2021 were 323.2 million tonnes and were higher by approx. 6.0% compared to 2020 (304.0 million tonnes)

USA

- production in 2021 was 524.7 million tonnes, i.e. +7.3% compared to 2020 (489.1 million tonnes)
- consumption in 2021 was 496.9 million tonnes, i.e. +15.0% compared to 2020 (432.1 million tonnes)
- exports in 2021 – 77.6 million tonnes of hard coal, +24.9% y/y

Russia

- in 2021 approx. 437.0 million tonnes were produced, i.e. up by 9.0% y/y (401 million tonnes in 2020)
- exports in 2021 were 212 million tonnes, up by 9.8% y/y (193 million tonnes in 2020)



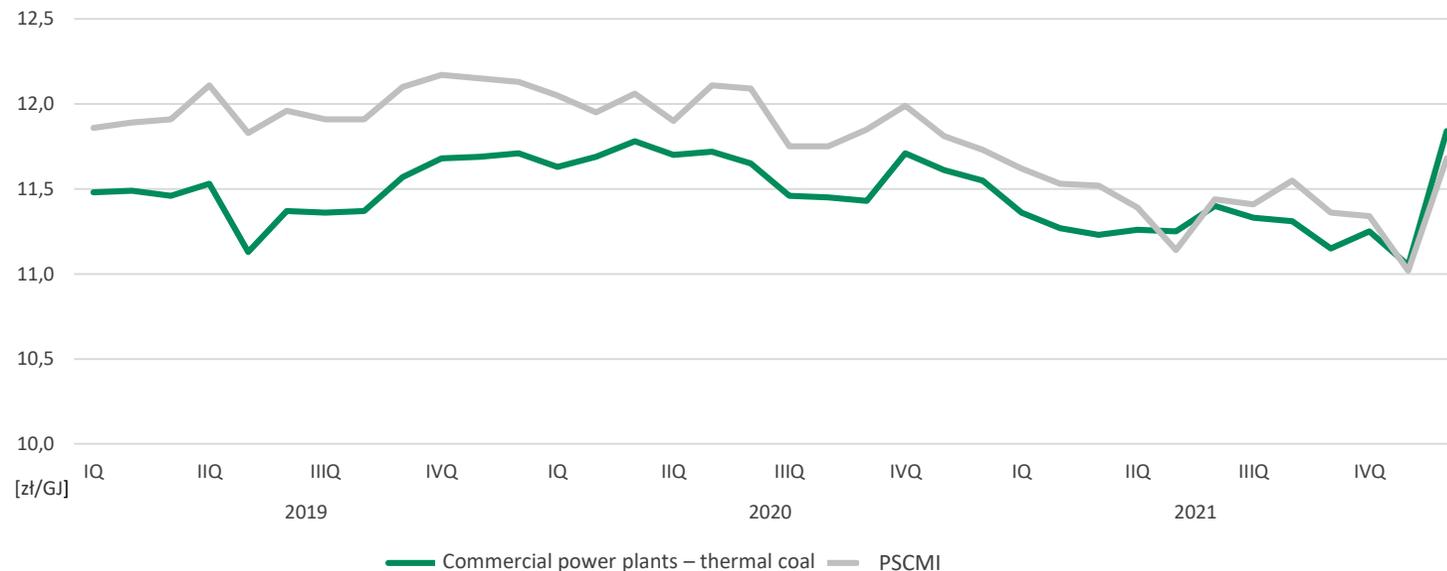
Fine thermal coal prices in the domestic market

Fine thermal coal prices

- in Q4 2021 the average annual price of fine thermal coal for commercial power plants was PLN 11.38 per GJ, the change dynamics was ca. -2.1% y/y
- in 2021 (PLN 11.31 per GJ) – down by 2.7% compared to 2020 (PLN 11.62 per GJ)
- average heating value of fine coal for commercial power plants was about 21.3 GJ

Prices based on the PSCMI index

- in Q4 2021 the average price based on the PSCMI index was approx. PLN 11.35 per GJ, as compared to average price in Q4 2020 (PLN 11.84 per GJ) this represents a decrease by approx. -4.1%
- in 2021 the price stood at the level of PLN 11.31 per GJ as compared to PLN 11.92 per GJ in 2020, i.e. down by 4.2%



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

Production of thermal coal in Poland

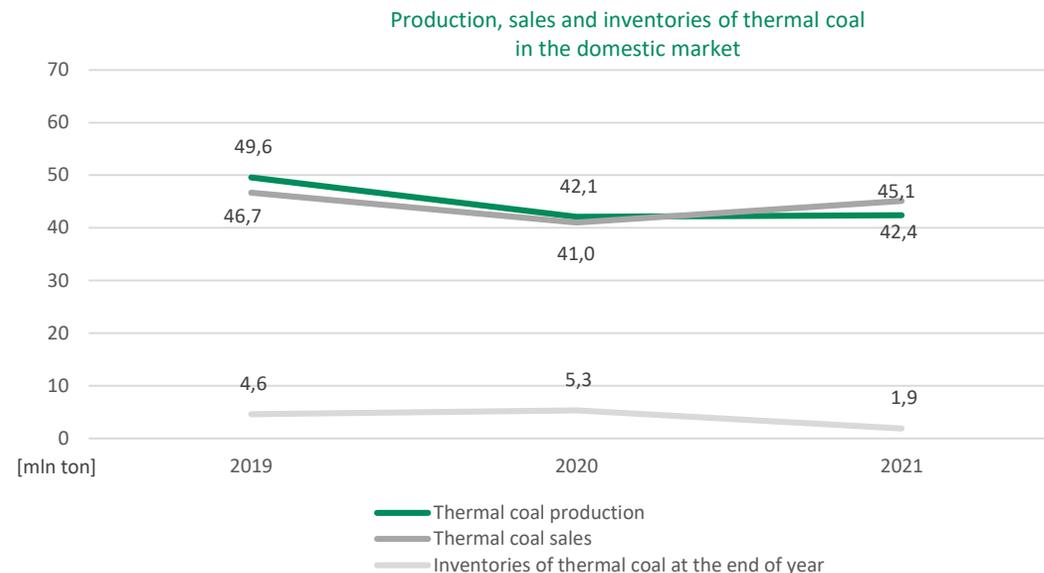
- in 2021, the production of thermal coal amounted to about 42.4 million tonnes, which represents an increase by 0.7% y/y

Sales of thermal coal market in Poland

- sales in 2021 amounted to about 45.1 million tonnes, including about 29.2 million tonnes of thermal fine coal sold to commercial power plants
- sales of thermal coal increased by about 10.0% in comparison to 2020

Inventories of coal in Poland

- the level of thermal coal inventories at the end of 2021 totalled 1.9 million tonnes (at the end of 2020 – 5.3 million tonnes)



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

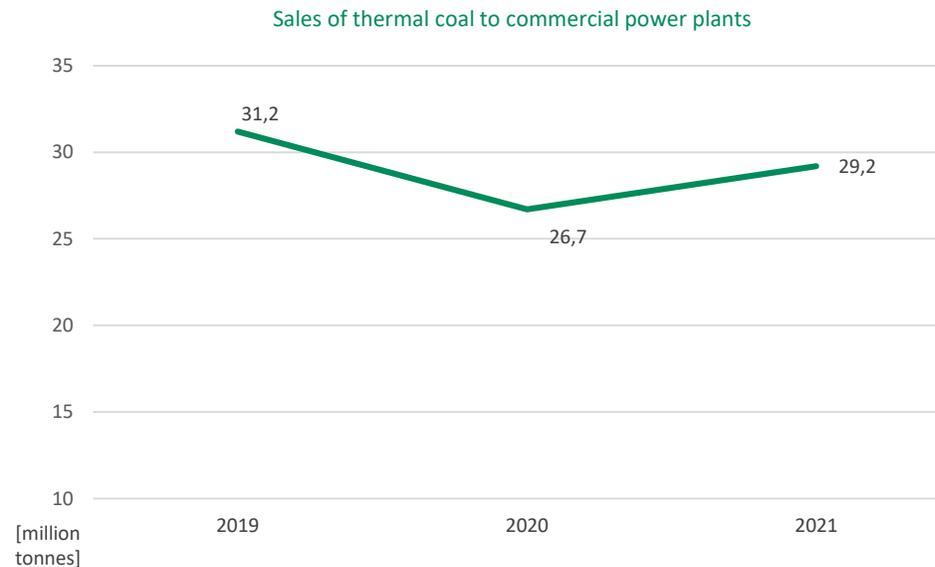
- Tauron
- PGE
- Enea
- PGNiG
- ENERGA

Sales of thermal coal market in Poland

In the entire 2021, the sales of thermal in Poland was about 45.1 million tonnes. 43.0 million tonnes of thermal coal were delivered to the domestic market, including 37.4 million tonnes of thermal fine coal.

Export of coal

About 5.8 million tonnes of coal were exported, including approx. 2.1 million tonnes of thermal coal.



Power generation in Poland

Electricity generation – total

In 2021, the production of electricity totaled 173,583 GWh, which represents an increase by 21.275 GWh (14.0%) versus 2020.

Power generation from coal

Coal was the main fuel used for electricity production. In 2021 it was used to generate 138,404 GWh. This means an increase by 28.889 GWh (26.4%) compared to 2020. In 2021 coal accounted for 79.7% of total electricity production in Poland, and its share in the fuel mix went up by 7.8% compared to 2020.

Power generation from hard coal

In 2021, hard coal produced 93,037 GWh of electricity (up by 30.0% compared to 2020).

Power generation from lignite

In 2021 lignite was used to produce 45,367 GWh of electricity (19.5% more than in 2020).

Power generation by wind farms

Wind farms in 2021 produced 14,234 GWh of electricity, which represents an increase of almost 0.4% in comparison with 2020. Wind made up about 8.2% of electricity production.

Power generation by gas-fired power stations

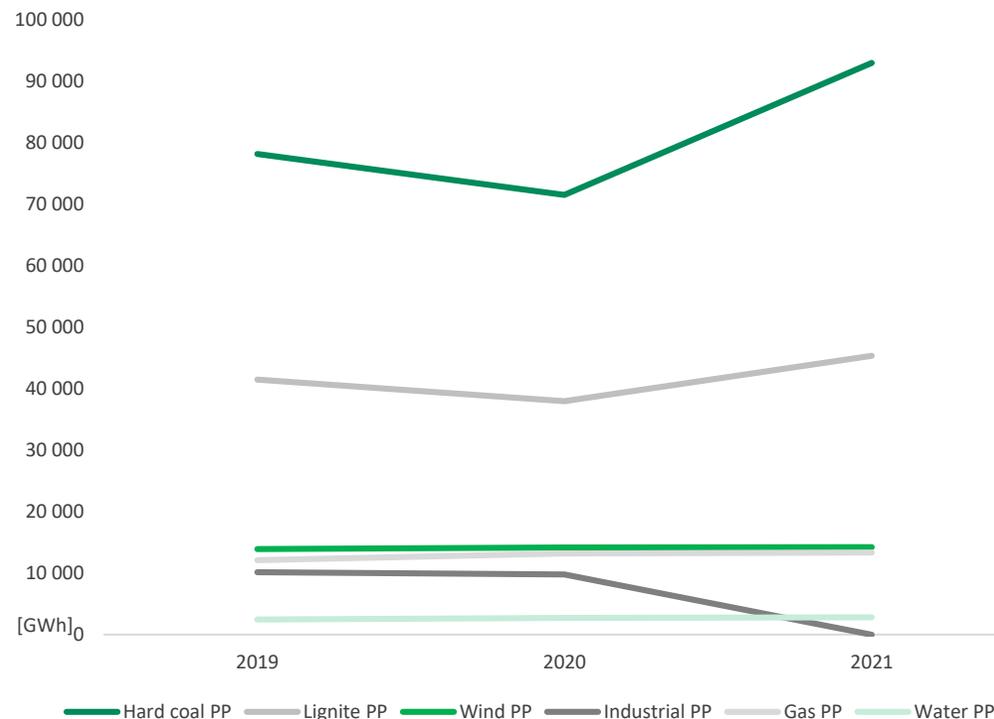
Gas power plants in 2021 produced 13,366 GWh of electricity, which was an increase of 1.1% compared to 2020.

Electricity consumption on the domestic market

In 2021, 174,402 GWh of electricity were consumed, which represents an increase by 8.870 GWh (5.4%) versus 2020.

Foreign sales balance

The balance of foreign exchange of electric power in 2021 was 820 GWh, while in 2020 it was 13,224 GWh (down by 93.8%).



Description of risks, threats and factors which, in the assessment of the LW Bogdanka Group, will affect the achieved results

Risk management

Risk management process:

- ensure security of the Group's operation
- ensure effectiveness of decisions focused on the maximisation of profit at an acceptable level of risk.

Systems in place:

- Integrated System of Enterprise Risk Management (ERM) at the Enea Group

Principal rules, procedures and documents serving as a basis for the risk management system:

- Corporate Risk Management Policy at the Enea Group
- Corporate Risk Management Methodology at the ENEA Group - ERM procedures
- the LW Bogdanka Group Risk Register
- the LW Bogdanka Group Risk Map
- list of critical, key, medium and low risks of the LW Bogdanka Group
- programs of the Parent to mitigate critical and key risks.

Risk management process

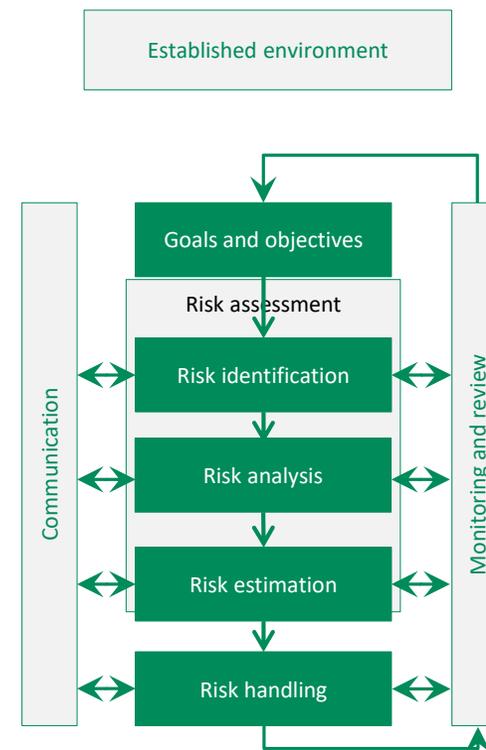
LW Bogdanka S.A., as part of the integration process within the Enea Group and in line with the relevant Group regulations, i.e. the applicable "Secondary Documents", has implemented since January 2018 the ERM system to be applied in the Group companies. As at 31 December 2021 a Parent Risk Register was updated in accordance with the Enea Group's Methodology.

The Parent provides information and reports on the outcomes of the ERM implementation and its development to the Supervisory Board and the Audit Committee.

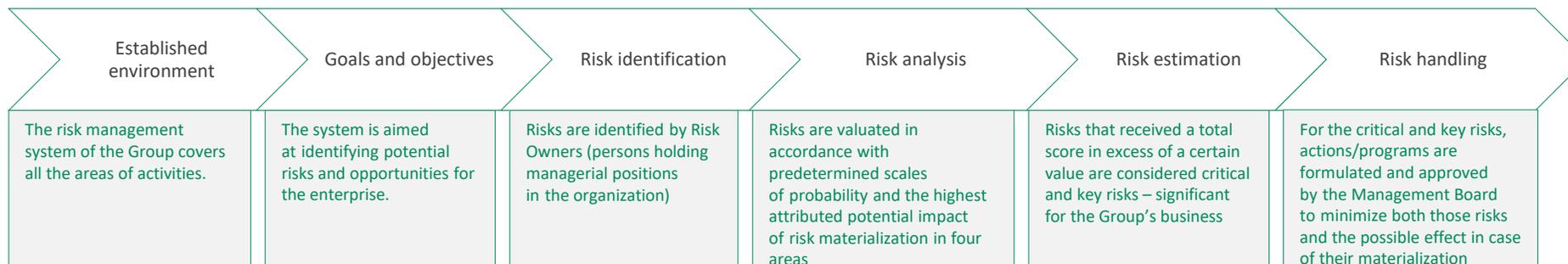
In subsequent periods, the system will be further adapted to the needs of the Group with a view to increasing its role and effectiveness, based on the existing experience and outcome of the system.

The risk management system of LW Bogdanka S.A. involves:

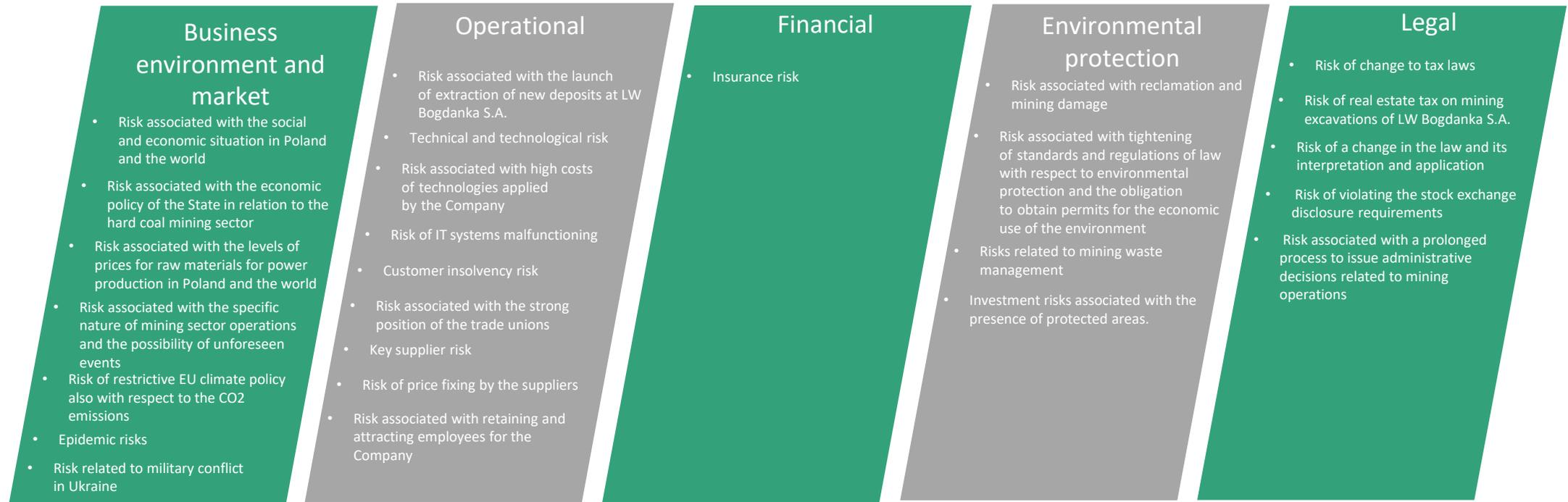
- Supervisory Board
- Management Board
- the Audit Committee
- Managers of organisational units at the Parent – risk owners
- Risk Management Department



Risk management process



Main risks to the Group by category



Risks associated with the social and economic situation of the Group

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
- governmental plans to expand/upgrade Poland's electricity generation system
- 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.

After a period of rapid growths, which occurred in the third and fourth quarter of 2021, that trend is continuing in the first quarter of 2022, which is currently connected with the military conflict in Ukraine and the sanctions imposed on Russia. The current high demand for natural gas and uncertainty associated with supplies of materials is translating into a high demand for electricity provided by coal-fired power plants. In the domestic market of thermal coal, following

price decreases in H1 2021 the situation stabilized and the rapid growth started in the beginning of 2022. Now, domestic demand for coal is growing rapidly, as a result of declining supplies by domestic producers and imports from the East.



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.



Risks associated with the social and economic situation of the Group

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.



Epidemic risks

The coronavirus (SARS-Cov-2) epidemic continuing from the beginning of 2020 and causing COVID-19 disease has still 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 so-called third wave of the coronavirus, which took place in Q1 and in the beginning of Q2 2021, and on the example of the fourth wave, which occurred in Q4 2021. From the beginning of 2022, the number of COVID infections and hospitalized patients is on the rise again, mainly caused by "Omicron," a new variant of the coronavirus. As Omicron is highly infectious, the "fourth wave" has smoothly moved to the "fifth wave".

However, as at the date of this report, the impact of the circumstances described on the Company's operations and its financial results were not as significant as in 2020. In addition, the initiatives to maximize the utilization of production capacity, the commitment of the personnel and the optimized wall run system and timetable in the time of higher demand for coal translated into record-high output and, in consequence, excellent financial results for 2021.

However, bearing in mind the risks posed by COVID-19, the Company continues to apply proper safeguards and other measures to contain the negative impact of COVID-19 on its 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 related to military conflict in Ukraine

On 24 February 2022, the armed forces of the Russian Federation invaded Ukraine. This conflict has an enormous impact on the social and economic situation, and those economic consequences have a global reach. In 2021 and in the beginning of 2022, the Company was selling to Ukrainian customers only a low part of its output (5.5% of sales revenues in 2021), therefore the difficulties (if any) to perform this year's contract will not significantly affect the operations and financial results of the Company. The decline in coal imports from Russia has translated into a significant increase in demand for thermal coal, leading to higher prices in the domestic market. In consequence, the Company can sell its entire output in the local market.



Risks directly associated with operations of the Group

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 more efficient planning in relation to making deposits available and preparing them for extraction, shortens the mine's life or decreases production 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 technical and organizational solutions which would counteract natural dangers and would, ensure the continuity of production and compliance with OHS requirements. This may altogether increase coal mining costs.

Countermeasures: control of costs and capital expenditures, use of highly-specialized machines and equipment, high work culture as far as compliance with mining and geological law, technology and proper maintenance of equipment are concerned,

R&D projects, implementation of innovative technologies to improve the underground climate conditions, implementation of an IIoT platform to control work parameters as well as ongoing analysis of effective 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.



Risks directly associated with operations of the Group

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 6.9% of total assets and 13.7% of its sales revenues for 2021, and trade receivables accounted for 91.6% of trade and other current receivables.

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 31 December 2021, six trade union organizations were active in the Group (of which four trade union organizations in LWB, with membership at the level of approx. 64.4% 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:

Continuous dialogue with trade union organizations, regular meetings to carry out negotiations with the social partners.



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.



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:

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



Risks related to mining waste management

The Company creates significant amounts of mining waste. Post-mining waste is managed (recovered) and stored at the mining waste neutralization facility in Bogdanka. About 50% of the waste can be processed and the other 50% is stored in the facility. On the basis of a building permit, the Company carries out works connected with increasing the height of the existing yard (to 250 MASL) and expanding the yard to the east. It has also started activities to acquire adjacent land for the purpose

of further expansion of the facility, by obtaining another building permit for extension of the south-east part, which should be sufficient to meet the waste storage needs for the next 6-7 years. Activities are continued to acquire next plots of land to enlarge 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 to enlarge and to increase the height of the existing mining waste neutralization facility. Further, it continues works on acquiring new land to execute the next phases of extension 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.



Risks 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
- conducting detailed analyses of all emerging tax issues, including by comparing them with the latest tax interpretations and relevant case law, obtaining individual tax interpretations
- 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 to develop and implement a tax strategy for the Parent, under Article 27c of the Corporate Income Tax Act.



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

In accordance with the adopted strategy, until 2019, the Parent did not include the value of underground excavations and the infrastructure located in these excavations in its real property tax returns for the purposes of real property tax assessment. Nevertheless, in 2019, in order to secure itself 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 equipment and it seems that, currently, the abovementioned risk is 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

As LW Bogdanka S.A. is listed on the Warsaw Stock Exchange, it must comply with a variety of regulations and resulting 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 that define the circulation of stock-exchange information at LW Bogdanka S.A., and the ongoing monitoring of the Company's operations with respect to disclosure requirements.



Risk associated with a prolonged process to issue administrative decisions related to mining operations

As other mines, LW Bogdanka S.A. runs its mining activities under a Mining Plant Operations Plan approved by the Head of Regional Mining Authority. The current Operations Plan covers the years 2020-2022 and is subject to many updates in the course of mining activities to take account of circumstances

arising during the covered period. An update of the Operations Plan, in the form an Addendum, is approved by an administrative decision in accordance with the principles applied to approve the Plan. In the beginning of 2022, the Company found out that an organization having the protection of the nature, environment and landscape as its statutory mission had filed a request for admission to the administrative proceedings with respect to the update of the Operations Plan currently in force as the basis of the Company's activities. Such interference by social organizations that are negatively-minded towards the Company in the proceedings initiated to approve updates of the Operations Plan creates a risk that those proceedings will be protracted and, thus, it can hinder the mining operations covered by the relevant Addendum. In order to mitigate this risk, the Company runs educational and informational activities relating to the impact of mining operations on the adjacent environment and is supported by leading law firms in the course of such proceedings.



Work conditions and technical risks

Working conditions

The nature of the Company's operations entails that the staff employed at the mine, especially underground, are exposed to a number of natural and technology-related risks.

Work in underground conditions also exposes the staff to harmful and nuisance work environment factors at work stations.

Natural risks

The following natural threats occur in the mine:

- Methane hazard



- Water hazard



- Coal dust explosion hazard



- Fire hazard



Compliance with occupational health and safety regulations, constant monitoring, and preventive measures ensure that those threats are entirely under control.

Technical risks

In 2021, on average 29 staff were working daily at work stations where mechanical risks associated with particularly dangerous machinery were present.

Particularly dangerous machinery includes but is not limited to:

- belt and scraper conveyors
- underground locomotives
- suspended diesel rail vehicles
- hydraulic powered lining
- roadheading machines

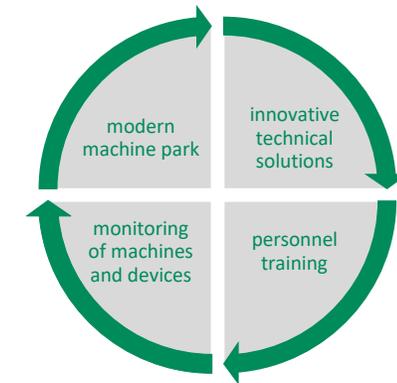
technical risks and their impact on employees are reduced by:

- replacement of machinery with more advanced machines that ensure greater safety for the employees,
- training in operating machines, facilities and installations requiring appropriate qualifications as well as in operating small mechanisation,
- permanent monitoring technical condition of machinery and equipment,
- introduction of innovative technical solutions, use of machinery and small mechanisation equipment with improved safety standards.

on average 29 employees are exposed to mechanical risk each day



we mitigate technical risks by:



Harmful and nuisance factors

Harmful and nuisance factors

Measurements of harmful factors at the Company's work stations are conducted:

- in compliance with the regulation of the Minister of Health of 2 February 2011 on testing and measuring harmful factors at work environment (Dz. U. [Official Journal] 2011.33.166, as amended) and in compliance with a relevant internal procedure.

The internal procedure covers the following measurements:

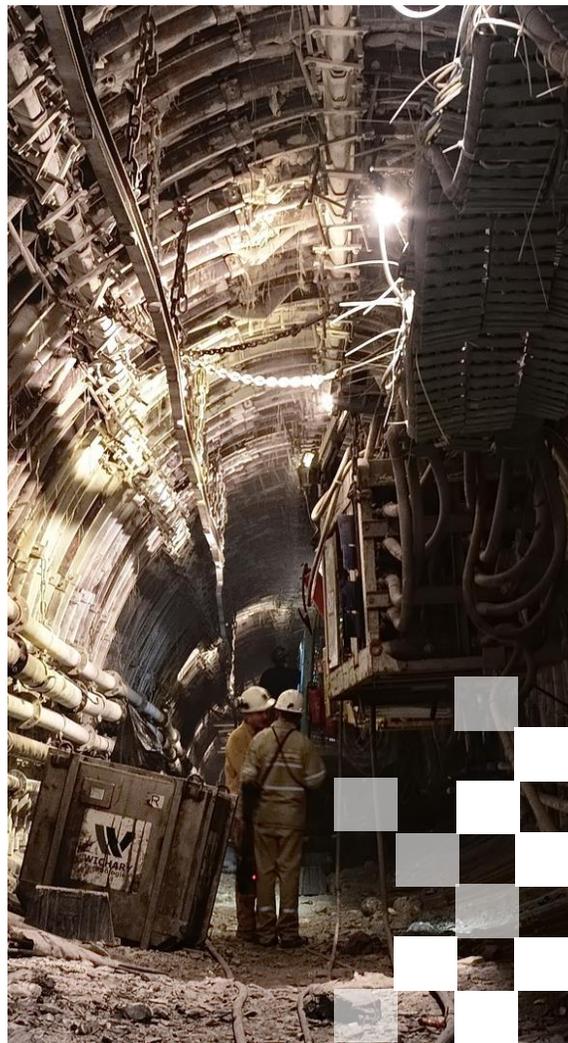
- hard coal dust and the free crystalline silica content
- audible noise
- general and local vibrations
- ionizing radiation
- harmfulness of welding gases
- microclimate

All employees working in conditions which are harmful for the health are provided with information on an on-going basis about threats - harmful and onerous factors occurring in their workplaces. The employer provides the employees with personal protection equipment, adequate for the occurring threats, and ensures training as required to ensure such equipment is properly used.

Work accidents

In 2021, at LW Bogdanka S.A. there were 68 accidents at work leading to temporary inability to work. The number of accidents and basic accident rates are presented in the table.

In 2021 the frequency rate (per employees) dropped by 13.7%, and the frequency rate (per workdays) dropped by 12.2%.



Number of employees working at work stations where maximum permissible levels and maximum permissible concentrations are exceeded

	Dustiness	Noise	Vibrations	Microclimate	Chemical agents	Other
2019	449	481	6	271	-	-
2020	743	432	40	385	-	-
2021	584	405	59	316	-	-

Number of accidents and accident rates at the Company in 2019-2021

	2019	2020	2021
Number of accidents – total	93	79	68
including: fatal	-	-	-
including: causing serious injury	-	-	-
frequency rate (per 1,000 employees)	19.2	16.1	13.9
frequency rate (per 100,000 workdays)	8.4	8.2	7.2

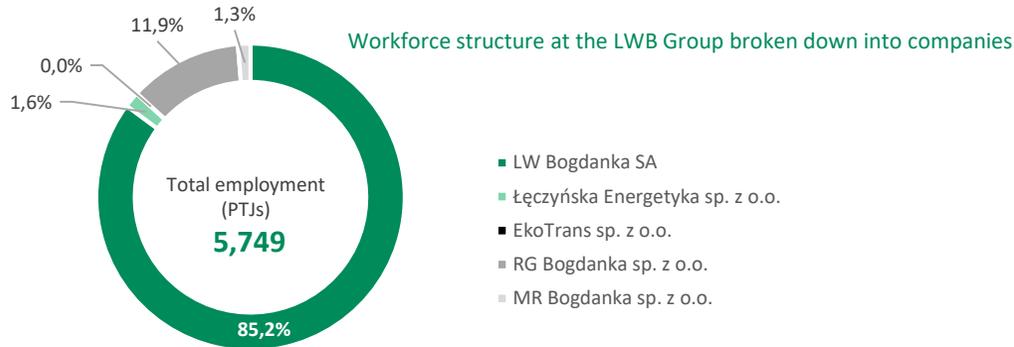
Workforce changes

Workforce at the Group

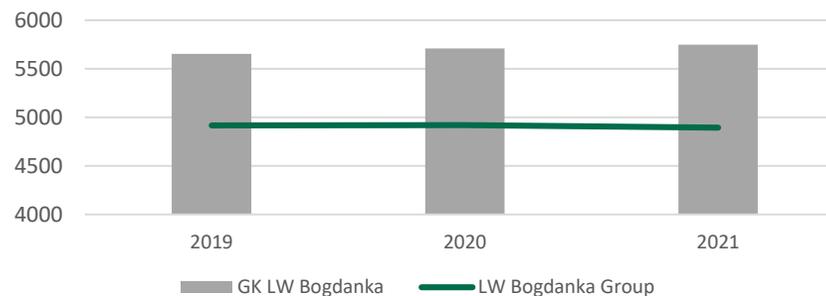
The year 2021 brought a slight increase in employment in the LW Bogdanka Group by 0.7%. The highest increase in jobs was achieved in RG Bogdanka sp. z o.o. Underground personnel represented the main group employed in LW Bogdanka S.A., i.e. 72.6%.

Employment in LW Bogdanka S.A.

In 2021 the personnel employed at the Parent accounted for 85.2% of total employment in the LW Bogdanka Group. Blue-collar workers accounted for 84.5% of all LW Bogdanka S.A.'s employees. In comparison with 2020 the number of underground staff went down by 31.0 FTJs, i.e. 0.9%.



[FTJs as at 31 December]	2019	2020	2021	Structure	Change 2021/2020
LW Bogdanka S.A.	4,916.5	4,922.0	4,894.5	85.2%	-0.6%
Łęczyńska Energetyka Sp. z o.o.	100.0	96.5	94.0	1.6%	-2.6%
EkoTrans sp. z o.o.	1.0	2.0	2.0	0.0%	0.0%
RG Bogdanka Sp. z o.o.	550.6	612.0	683.0	11.9%	11.6%
MR Bogdanka Sp. z o.o.	85.5	76.5	75.5	1.3%	-1.3%
LW Bogdanka Group	5,653.6	5,709.0	5,749.0	100.0%	0.7%

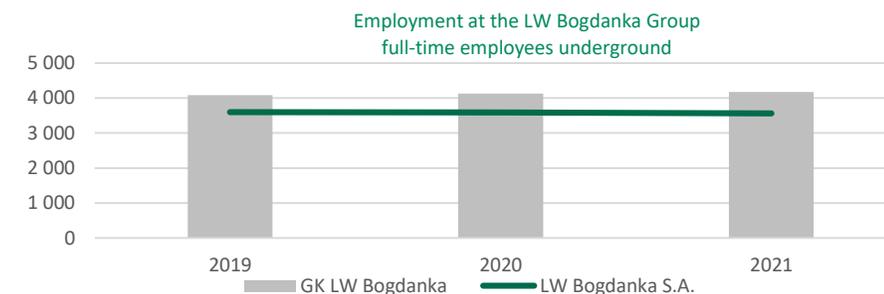
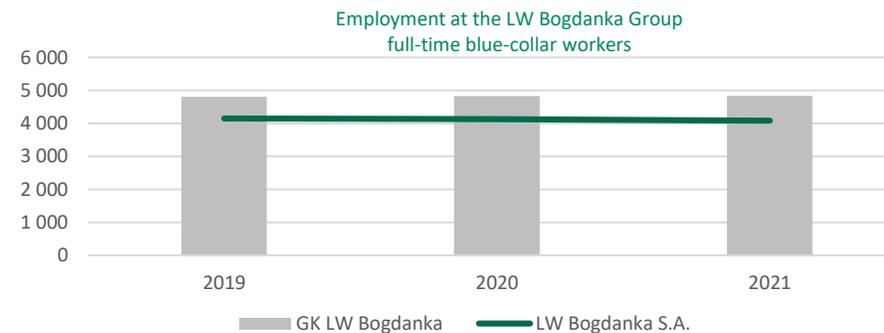
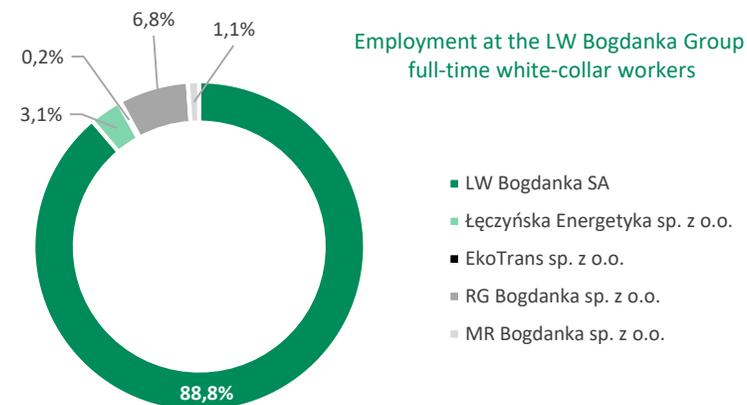


Workforce changes

[FTJs as at 31 December]	2019	2020	2021	Structure	Change 2021/2020
White-collar workers					
LW Bogdanka S.A.	769.5	793.0	809.5	88.8%	2.1%
Łęczyńska Energetyka Sp. z o.o.	30.0	28.1	28.0	3.1%	-0.4%
EkoTrans sp. z o.o.	1.0	2.0	2.0	0.2%	0.0%
RG Bogdanka Sp. z o.o.	33.6	47.0	62.0	6.8%	31.9%
MR Bogdanka Sp. z o.o.	11.5	10.5	10.5	1.1%	0.0%
LW Bogdanka Group	845.6	880.6	912.0	100.0%	3.6%

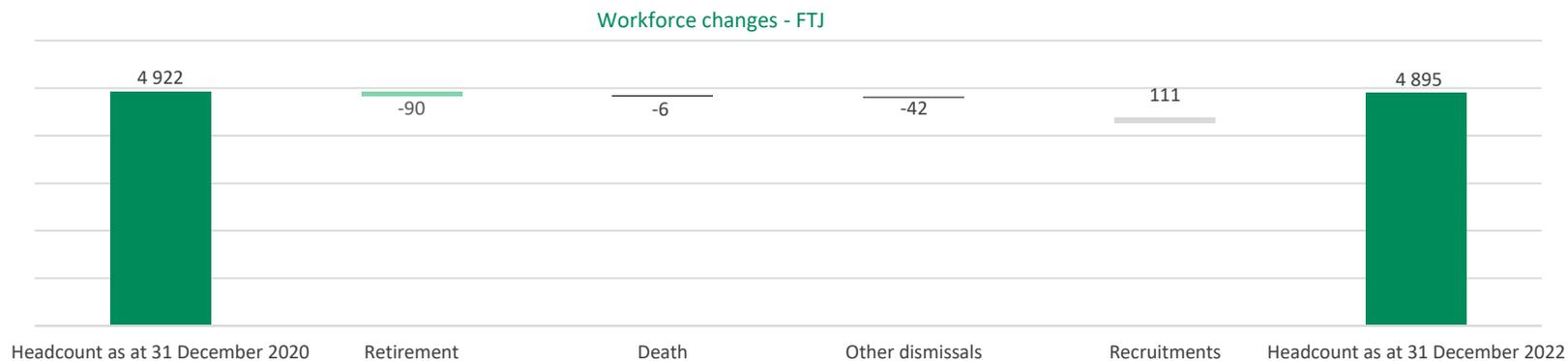
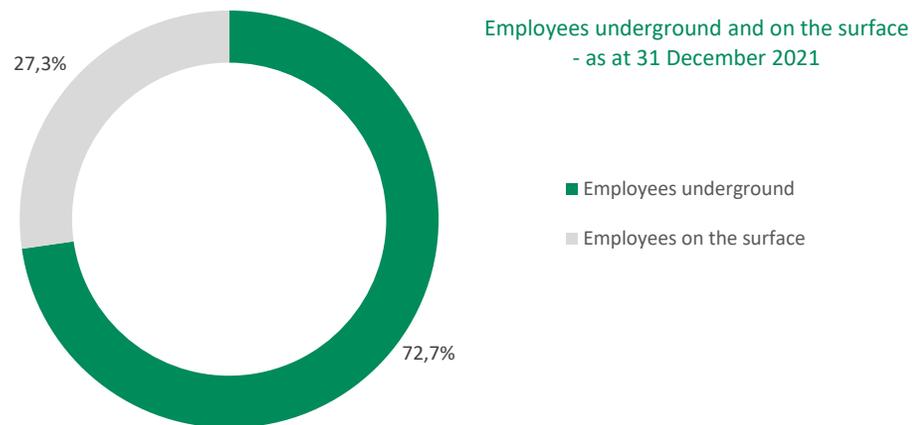
[FTJs as at 31 December]	2019	2020	2021	Structure	Change 2021/2020
Blue-collar workers					
LW Bogdanka S.A.	4,147.0	4,129.0	4,085.0	84.5%	-1.1%
Łęczyńska Energetyka Sp. z o.o.	70.0	68.4	66.0	1.4%	-3.5%
EkoTrans sp. z o.o.	-	-	-	-	-
RG Bogdanka Sp. z o.o.	517.0	565.0	621.0	12.8%	9.9%
MR Bogdanka Sp. z o.o.	74.0	66.0	65.0	1.3%	-1.5%
LW Bogdanka Group	4,808.0	4,828.4	4,837.0	100.0%	0.2%

[FTJs as at 31 December]	2019	2020	2021	Structure	Change 2021/2020
Underground workers					
LW Bogdanka S.A.	3,599.0	3,591.0	3,560.0	85.3%	-0.9%
Łęczyńska Energetyka Sp. z o.o.	-	-	-	-	-
EkoTrans sp. z o.o.	-	-	-	-	-
RG Bogdanka Sp. z o.o.	485.7	535.1	613.0	14.7%	14.6%
MR Bogdanka Sp. z o.o.	-	-	-	-	-
LW Bogdanka Group	4,084.7	4,126.1	4,173.0	100.0%	1.1%

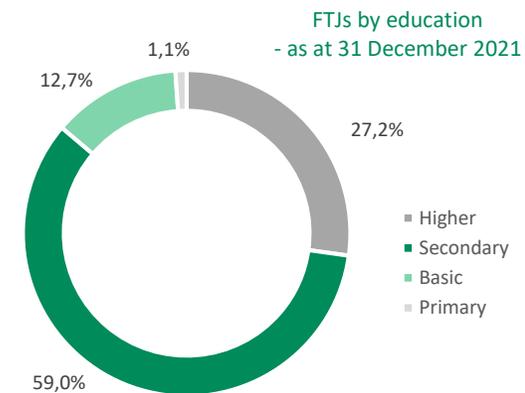
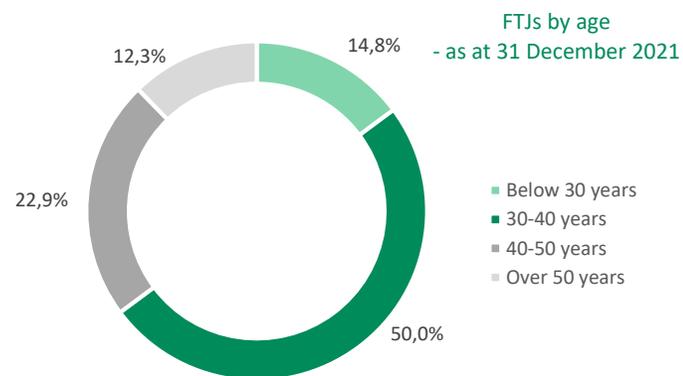
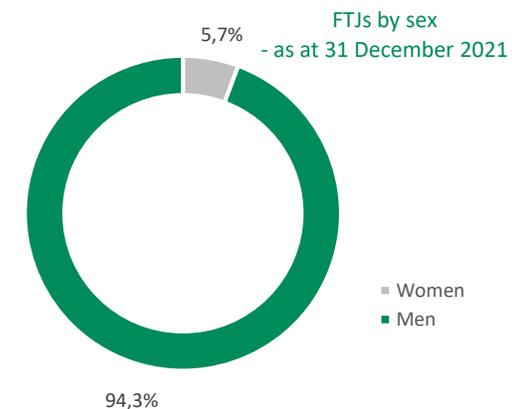
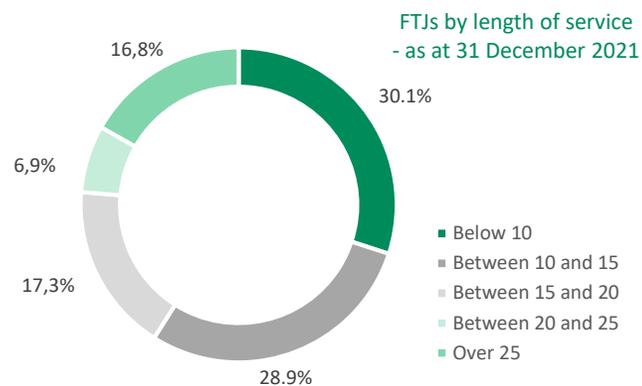


Workforce changes at LW Bogdanka S.A.

- as at the end of 2021, the Company employed 4,895 persons, which represents a 0.6% decrease compared to 4,922 persons at the end of 2020.
- underground and surface employees make up 72.7% and 27.3% of the head count, respectively.
Due to the nature of its business, the Company mainly employs men - they account for 94.3% of the head count (women - 5.7%).
- in terms of age, the dominant group of employees is composed of persons between 30 and 40 years of age (50.0% of all employees)
- the largest group is made of persons with secondary education.
Their share in total employment at the end of December 2021 was 59.0%.
- 2,007.5 employees (41.0%) working in the Company have over 15 years of service, which stands for a lot of experience and high qualifications.



Employment structure
 of LW Bogdanka S.A.
 by FTE



Average monthly remuneration

Principles of remuneration in the Company are regulated by the Collective Bargaining Agreement of 31 October 2001, concluded between the Management Board of the Company and the trade unions operating in the Company: Intracompany committee of the Independent and Self-Governing Trade Union "Solidarność", Trade Union of Miners in Poland, Trade Union "Kadra" and Trade Union of Employees of Mechanical Coal Processing Plants "Przeróbka".

The Collective Bargaining Agreement specifies a package of benefits due within the employment relationships and principles for granting individual components of remuneration, including tables of applicable rates, bonuses for effective work hours, e.g. for working overtime, bonuses for rescuers and others. The Collective Bargaining Agreement also cover key managers, referred to in rule 6.1 of the Code of Best Practice of Companies Listed on the Warsaw Stock Exchange of 2021.

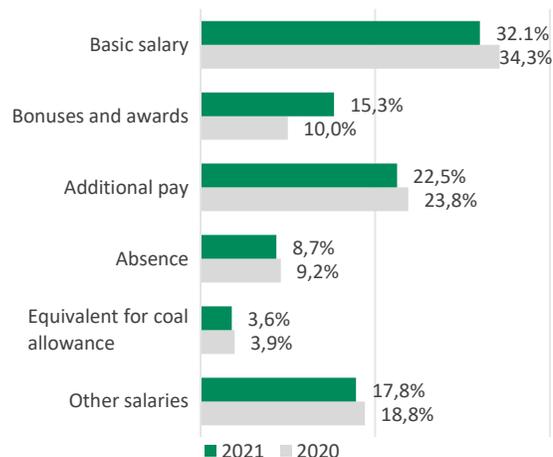
In 2021 the payroll fund was used in accordance with:

- agreement of 2 July 2021 on the implementation of the remuneration policy for 2021
- agreements on the payment of the first and second installment of the award for the staff of LW Bogdanka S.A. for the contribution to the achieved extraction level
- agreement on the payment of the special award for 2021 for the performance of task – extraction and sale of commercial coal at a level above 9.9 million tonnes
- monthly bonus settled on the basis of:
 - the degree of compliance with monthly production targets
 - sale of commercial coal
 - the average sale price achieved
 - the degree of compliance with the Company's cost budget for individual periods.

In its remuneration policy the Company pays particular attention to reflecting the employee performance

in the remuneration amount. Bonuses and awards go to those employees who show their dedication to and initiative at work.

Remuneration structure at LW Bogdanka S.A. in 2020 and 2021 at LW Bogdanka S.A.:

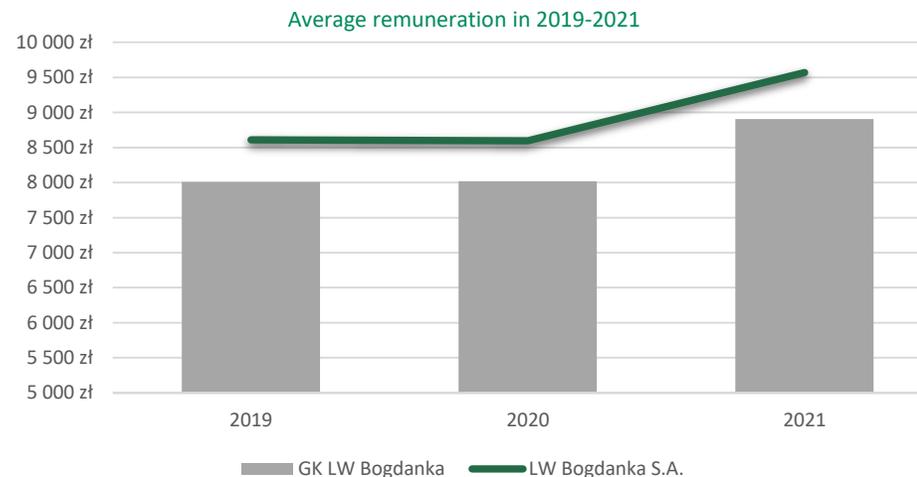


In 2021 the Company's Management Board made all efforts to correlate the remuneration levels with the results achieved by the Company and with minimizing economic effects of the Covid-19 epidemic. Therefore, in its appreciation for the personnel, it paid a special award for 2021 for contribution to extraction and sale of commercial coal, which award had affected the average remuneration figure at the Company. The annual award (gross) paid to the employees was PLN 25 million.

In connection with Additional Protocol No. 83 to the Collective Bargaining Agreement which includes an increase in base pay from 1 March 2020 on by 4.5%, there was an increase in the share of base pay, allowances for work and other remuneration components in the whole payroll fund.

[PLN]	2019	2020	2021	Change 2021/2020
LW Bogdanka S.A.	8,608	8,597	9,570	11.3%
Łęczyska Energetyka Sp. z o.o.	5,026	5,250	5,488	4.5%
EkoTrans sp. z o.o.	6,572	8,042	6,875	-14.5%
RG Bogdanka Sp. z o.o.	3,745	4,363	4,945	13.3%
MR Bogdanka Sp. z o.o.	4,473	4,964	5,314	7.1%
LW Bogdanka Group*	8,008	8,019	8,907	11.1%

*An analysis of the average monthly remuneration was carried out on the basis of the average employment at the Company (the methodology used by the Central Statistics Office of Poland to lower the employment level by excluding employees who were on a sick or parental leave, or were provided with care allowance or rehabilitation benefit for a (continued) period of more than 14 days was not applied).



Marketing operations

In 2021 the Company conducted marketing activities in accordance with its applicable internal regulations: "Social Commitment Policy of LW Bogdanka S.A.", "Corporate Responsibility Strategy for 20128-2021" and "Sponsorship Strategy of Lubelski Węgiel Bogdanka H2 2018-2021". Those documents specify both the goals of these activities and the areas.

Despite the continued state of pandemic in the territory of the Republic of Poland in connection with the SARS-CoV-2 virus and the related administrative restrictions, the Company supported many local initiatives and projects to consistently build its perception as a socially responsible company. The vast majority of promotional activities were focused on creating a positive brand image of the Bogdanka mine, in particular in the local environment. Such an approach primarily resulted from taking account of the social responsibility aspects and from putting emphasis on the Company's role in the region.

Goals and objectives

The objectives of the marketing and promotional activities include:

- supporting (promoting and strengthening) the Company's brand by reinforcing its perception, recognition and influence
- reinforcing the Company's significance for the Lublin region as perceived by the general public and opinion-forming circles
- building a positive image of the Company, in particular in its close geographic environment
- building the Company's image as an entity that effectively implements the concept of corporate social responsibility (CSR)
- strengthening the Company's reputation as an active sponsor of important social projects and initiatives, mainly in the Lublin region

- encouraging young people (including children of the Company's personnel) to get involved in sports activities, taking care of their physical and mental development by offering access to sports activities organized by entities sponsored by the Company
- building of social support for the Company's business activities.
- continuing activities to create Bogdanka's image as a leader of the mining industry in Poland and Europe
- ensuring that the message is received by key stakeholders of the Company, such as customers, business partners, shareholders, investors and local communities

The above objectives were pursued using the following tools: sponsorship projects, PR projects, CSR activities as well as activation of projects through organizational support, promotional and advertising activities. Projects were selected, reviewed, and settled in terms of their effectiveness and contribution to the Company's goals.

Sponsorship

The Company undertakes activities in the form of sports sponsorship (projects with the highest commercial potential) and social and cultural sponsorship (projects with the highest social potential). All sponsorship projects pursued in 2021 translates into advertising, media attention, and building a positive image of the brand and the enterprise.

The main strategic goal of activities in the area of sponsorship is to support the implementation of CSR strategy by strengthening the image of a cultural and sports patron, i.e. a socially responsible enterprise with a presence in valuable initiatives that are crucial for the local community.

Sponsorship activities of the Company are carried out in two areas:

- Sports sponsorship – a tool for the Company's impact on local communities, i.e. getting support from broader social circles. The Company is aware that sports clubs and sport events are key for strengthening the sense of community, and that traditions related to particular events tighten social bonds. As part of its sports sponsorship, the Company supports both professional and amateur sports to maintain selected sports traditions of the region and to help develop young sports talents and the physical fitness of children and youth. Projects which attracted most social interest and contributed most to the brand exposure value of LW Bogdanka included the sponsorship of:
 - Górnik Łęczna S.A. (together with the Górnik Łęczna Foundation) – in the season of 2020/2021 the club won promotion to the top football league: PKO Bank Polski Extraclass. The club also runs a Sports Academy, teaching more than 400 children from the Łęczna town and region in three sports disciplines, and a Sports Championship School (a secondary school with a football profile), the only school of this kind in the Lublin province. This club has long-term with the mine, the town and the county and, at present, it is the top football club in the Lublin region. In 2021, the LW Bogdanka S.A. brand exposure value of this project amounted to PLN 9.11 million (the highest value of all the sponsored entities).



- Speedway Motor Lublin (a speedway club which is a member of the PGE Speedway Extraleague under the name Motor Lublin). In the 2021 season, the club achieved a long-awaited success: after 30 years it won the silver medal in Poland's National Team Championship. The speedway club attracts most interest of all the sports clubs in the Lublin region with all its league matches in 2021 sold out. In 2021, the LW Bogdanka S.A. brand exposure value of this project amounted to PLN 6.28 million.



Marketing operations

MKS Avia Świdnik – a project covering the sponsorship of the senior volleyball team (in the Tauron 1 League) and training for children and young people at a club with long volleyball tradition. The year 2021 confirmed the progress of the club as it, as newcomer, took the sixth place in the Plus League. In addition, the young groups achieved a high quality of training. In 2021, the LW Bogdanka S.A. brand exposure value of this project amounted to PLN 0.57 million.



b) **Social and cultural sponsorship** – the Company's tool for shaping local communities in the region through getting support of opinion leaders as well as through the sponsorship of important social, cultural, scientific, technical and other events of significance for the social image of the brand.

In 2021, the Company established cooperation with with recognized and praised cultural institutions from the Lublin area.

The most important institutions include the Polish Wieniawski Philharmonic Orchestra in Lublin, the Music Theater in Lublin, the Centre for the Meeting of Cultures in Lublin, the H. Ch. Andersen Theatre in Lublin, the City Culture Center in Łęczna, the City Culture Center in Świdnik and the City Culture Center in Chełm.



In exchange for sponsorship support, all the sponsored institutions provided image promotion and advertising services for LW Bogdanka S.A.

In 2021 the Company completed 59 projects, including 26 of sports nature and 33 to support the development of the society and culture, and the total value of Lubelski Węgiel "Bogdanka" brand exposure arising from the sports sponsorship projects alone exceeded PLN 17.8 million in last year. In 2021, the Company allocated PLN 8.1 million to its sports and socio-cultural sponsorship activities.

Public Relations

The remainder of the promotion budget was used in 2021 for public relations and publicity activities carried out through various communication channels (internet, social media, press, radio, and TV). These activities focused on building social support for the Company's business activities.

Of those most important, the Company's participation in the Three Seas Congress should be mentioned as it as a great opportunity to present the Company. The Congress was attended by President Andrzej Duda, who visited the stand of Bogdanka, and one of the speakers was the former President of the Management Board of LW Bogdanka S.A. As regards key events in last year, it should be mentioned that a large group of our employees took part in the Underground Operations School. This annual industry event gathers experts, scientists and leading media. Soon after the School, the Mining Leader Academy was started. Members of the Management Board represent the Company at the most important events, such as the European Economic Congress or the Economic Forum in Karpacz.

Last year also saw many online and social media activities to promoted the brand and to present Bogdanka to a broad audience. Those initiatives were based on more than ten videos produced to show various aspects of LW Bogdanka's operations and published on the official Facebook profile of the Company. They also include materials produced jointly with the TVP3 Lublin television channel and the county of Łęczna. One of the most interesting projects was a video produced together with the UMCS University to present the mine from the scientific perspective. Equally important are interviews and articles published by professional press (Trybuna Górnicza, nettg.pl, Energetyka24), nation-wide press (Forbes, Puls Biznesu, PAP) and local local media (Kurier Lubelski, Dziennik Wschodni, TVP3 Lublin and Radio Lublin).

Sponsoring and promotion [PLN '000]	2020	2021
Promotion	637.3	702.2
Sports sponsorship	5,958.0	7,419.0
Social/cultural sponsorship	183.0	722.0
Total	6,778.3	8,843.2

Information on the auditor responsible for auditing the report and rules for preparing the annual consolidated and separate financial statements as well as court and out of court proceedings

Information on the auditor responsible for auditing the report

On 24 January 2021, the Supervisory Board adopted a resolution on appointing PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audit sp. k. with registered office in Warsaw as entity authorized to:

- perform the review of the financial statements of the Parent and the consolidated financial statements of the Group for the first halves of 2021 and 2022,
- perform the audit of financial statements of the Parent and the consolidated financial statements of the Group for 2021 and 2022.

Since 16 February 1995, PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audit sp. k. has been on the list of entities authorized to audit financial statements, maintained by the National Chamber of Chartered Auditors, under entry number 144.

The Group earlier used the services of PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audit sp. k. and PwC network entities in the following areas: review and audit of the separate and consolidated financial statements, including verification of the consolidated statements of the Group for 2020 in XBRL format, tax advice with respect to excise duty, verification of calculation by the Parent of the Excise Duty Ratio, works related to checking whether the electricity consumption ratio for 2017-2020 was calculated

correctly, and the assessment of the Report on Remuneration of the Management Board and Supervisory Board of the Parent.

Basis of preparation of the Annual Consolidated and Separate Financial Statements

The consolidated financial statements of the LW Bogdanka Group and the financial statements of LW Bogdanka S.A. for the financial year from 1 January to 31 December 2021 were prepared on the basis of the International Financial Reporting Standards and related interpretations published as Regulations of the European Commission. The financial statements were prepared according to the historical cost principle except for derivative instruments measured at fair value. The separate and consolidated financial statements were prepared using the same accounting principles for the current and comparative periods.

Court and out of court proceedings

As at the day of release of this Report no material proceedings concerning liabilities or claims are pending with LW Bogdanka S.A. or any of its subsidiaries as a party.

Arrangement proceedings

In 2021, the Company was not a party to arrangement proceedings.

The remuneration of the auditor auditing the financial statements (of the Parent and the subsidiaries) as well as for the PricewaterhouseCoopers entities for all services provided in 2021 and 2020 is as follows:

Auditor's fee [PLN '000]	2020	2021
- Audit of the annual financial statements	252	250
- Review of the financial statements	40	50
- review of the Report on remuneration and the XBRL consolidated financial statements	62	55
- Other certification services (review of indicators)	26	9
Total	380	364



3

Financial standing

Production, sales and inventories of coal at the LW Bogdanka Group

Production, sales of commercial coal of the Company

['000 tonnes]	Q4 2020	Q4 2021	Change	Change %	2020	2021	Change	Change %
Gross coal extraction	3,307	3,641	334	10.1%	11,899	14,308	2,409	20.2%
Production of commercial coal	2,074	2,432	358	17.3%	7,612	9,935	2,323	30.5%
Yield (%)	62.7%	66.8%	4.1 p.p.	6.5%	64.0%	69.4%	5.4 p.p.	8.4%
Sales of commercial coal	1,970	2,792	822	41.7%	7,670	10,036	2,366	30.8%
New excavations (km)	6.1	7.8	1.7	27.9%	25.7	23.2	-2.5	-9.7%

Inventories of commercial coal of the Company

['000 tonnes]	31 Dec. 2020	30 Sep. 2021	31 Dec. 2021	Change [%] 31 Dec. 2021/ 30 Sep. 2021	Change [%] 31 Dec. 2021/ 31 Dec. 2020
Inventories of coal	122	381	21	-94.5%	-82.8%

Structure of commercial coal production

[%]	Q4 2020	Q4 2021	2020	2021
Fine coal	99.3%	98.0%	99.2%	98.5%
Pea coal	0.7%	2.0%	0.8%	1.5%
Total	100.0%	100.0%	100.0%	100.0%

The higher operating results of the Company for 2021 were mainly a result of an increased demand for thermal coal in the commercial power and heating generation sectors. The above operational results were achieved thanks to the intense work of our employees and the optimized wall run system and timetable in the period of higher demand for coal.

Production of coal

(+) gross extraction of coal in 2021 increased by 20.2%, i.e. 2,409,000 tonnes
 (+) production of commercial coal in 2021 was 9,935,000 tonnes, i.e. more by 30.5% (+2,323,000 tonnes) than in 2020
 (+) yield for 2021 was 69.4% compared to 64.0% for 2020

Sale of coal

(+) in Q4 2021 the sales of coal rose by 41.7% compared to Q4 2020
 (+) in 2021 the sales of commercial coal amounted to 10,036,000 tonnes, i.e. by 30.8% more than in 2020

Inventories

(-) at the end of 2021, the level of coal inventories amounted to 21,000 tonnes, which means a decrease by 101,000 tonnes compared to the level as at 31 December 2020
 (+) the level of coal inventories presented at the end of 2021 corresponds approximately to one day of commercial coal production (on the basis of average daily production for 12 months)
 (+) relatively low level of inventories of coal is a result of the achieved coal production and coal sales

Structure of commercial coal production

The structure of coal production, both in Q4 and the whole 2021, was practically at the same level as in the previous year.

Revenue and key customers of the LW Bogdanka Group

Dynamics of changes in product range with respect to revenue

[PLN '000]	Q4 2020	Q4 2021	Change	Change %	2020	2021	Change	Change %
Sale of coal	455,357	684,506	229,149	50.3%	1,775,588	2,311,508	535,920	30.2%
Other activities	10,318	12,442	2,124	20.6%	34,249	40,959	6,710	19.6%
Sale of goods and materials	2,904	5,853	2,949	101.5%	12,275	18,813	6,538	53.3%
Total	468,579	702,801	234,222	50.0%	1,822,112	2,371,280	549,168	30.1%

Structure of revenue

[%]	Q4 2020	Q4 2021	2020	2021
Sale of coal	97.2%	97.4%	97.4%	97.5%
Other activities	2.2%	1.8%	1.9%	1.7%
Sale of goods and materials	0.6%	0.8%	0.7%	0.8%
Total	100.0%	100.0%	100.0%	100.0%

Geographical structure of revenue

[PLN '000]	Q4 2020	Structure	Q4 2021	Structure	2020	Structure	2021	Structure
Domestic sales	468,579	100.0%	641,653	91.3%	1,822,112	100.0%	2,240,549	94.5%
Foreign sales	-	0.0%	61,148	8.7%	-	0.0%	130,731	5.5%
Total	468,579	100.0%	702,801	100.0%	1,822,112	100.0%	2,371,280	100.0%

Revenue on sales of coal

(+) in Q4 2021 the Group's revenue on sales of coal amounted to PLN 684,506,000, which represents an increase by 50.3% compared to Q4 2020

(+) in the four quarters of 2021 revenue on sales of coal was PLN 2,311,508,000 compared to PLN 1,775,588,000 in the same period of 2020, which means an increase by 30.2% 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 Q4 2021 revenue on other operations (which includes revenue of subsidiaries) were PLN 12,442,000 (1.8% of total revenue), compared to PLN 10,318,000 (2.2% of revenue) in the analogous period of 2020 (up by 20.6% 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 the whole 2021 revenue on other operations was PLN 40,959,000 compared to PLN 34,249,000 for the previous year. The increase in revenues in this group is related to higher revenues from coal transport under own rail license (+ PLN 5,143,000).

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 2021 the export sales of coal (to Ukraine) were performed both through third-party companies and, in a small part, directly. In 2021 exports amounted to PLN 130,731,000, i.e. 5.5% of total revenues of the LWB Bogdanka Group.

Key customers

More than 84% of coal sales (in terms of value) in 2021 were effected to Enea Wytwarzanie Sp. z o.o., Enea Elektrownia Połaniec S.A. and Grupa Azoty Zakłady Azotowe Puławy S.A. In 2020, the share of those customers was higher by approx. 7.3 p.p.

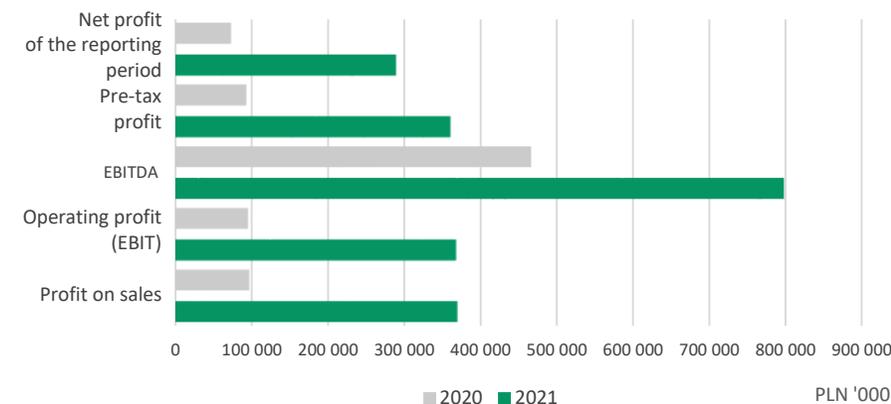
Key customers by share in revenue:

- Enea Wytwarzanie sp. z o.o. – Enea Group – approx. 67% of share in the revenue
- Enea Elektrownia Połaniec S.A. – Enea Group – approx. 11% share in the revenue
- Grupa Azoty Zakłady Azotowe Puławy S.A. – approx. 6% share in revenue

Financial highlights of the LW Bogdanka Group

Analysis of the consolidated income statement

[PLN '000]	Q4 2020	Q4 2021	Change	2020	2021	Change
Revenue	468,579	702,801	50.0%	1,822,112	2,371,280	30.1%
Costs of products, goods and materials sold, selling costs and administrative expenses	420,787	550,982	30.9%	1,725,393	2,002,828	16.1%
Profit on sales	47,792	151,819	217.7%	96,719	368,452	281.0%
Gross sales margin	10.2%	21.6%	11.4 p.p.	5.3%	15.5%	10.2 p.p.
Other income	4,624	4,088	-11.6%	7,737	5,223	-32.5%
Other expenses	532	474	-10.9%	1,894	1,128	-40.4%
Net operating profit	51,884	155,433	199.6%	102,562	372,547	263.2%
Other net losses	-7,385	-1,432	-80.6%	-7,321	-5,749	-21.5%
Operating profit (EBIT)	44,499	154,001	246.1%	95,241	366,798	285.1%
EBIT margin	9.5%	21.9%	12.4 p.p.	5.2%	15.5%	10.3 p.p.
EBITDA	148,519	259,292	74.6%	466,167	797,601	71.1%
EBITDA margin	31.7%	36.9%	5.2 p.p.	25.6%	33.6%	8.0 p.p.
Finance income	4,973	427	-91.4%	7,537	675	-91.0%
Finance costs	1,869	1,879	0.5%	9,588	8,345	-12.0%
Profit before taxation	47,603	152,549	220.5%	93,190	359,128	287.8%
Pre-tax profit margin	10.2%	21.7%	11.5 p.p.	5.1%	15.1%	10.0 p.p.
Income tax	9,480	29,034	206.3%	20,228	70,862	250.3%
Net profit	38,123	123,515	224.0%	72,962	288,266	295.1%
Net sales margin	8.1%	17.6%	9.5 p.p.	4.0%	12.2%	8.2 p.p.



Financial highlights LW Bogdanka Group

Revenue

The value of revenue for Q4 2021 increased by 50.0% compared to the same period of the previous year and amounted to PLN 702,801,000. In the whole 2021 the Group generated revenue in the amount of PLN 2,371,280,000 as compared to PLN 1,822,112,000 in 2020 (increase by 30.1%).

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

In Q4 2021 costs of products, goods and materials sold plus selling costs and administrative expenses amounted to PLN 590,982,000, i.e. they went up by 130,195,000 as compared to the same period of the prior year (PLN 420,787,000).

In 2021 cost of products, goods and materials sold as well as selling costs and administrative expenses increased from PLN 1,725,393,000 to PLN 2,002,828,000.

Profit on sales

In Q4 2021 profit on sales amounted to PLN 151,819,000, while in the same period of 2020 it amounted to PLN 47,792,000. The Group closed 2021 with a profit on sales in the amount of PLN 368,452,000, versus PLN 96,719,000 in 2020.

Other income

In 2021 other income amounted to PLN 5,223,000 compared to PLN 7,737,000 in the prior year. A significantly higher amount of other income in the prior year mainly resulted from the release of the provision for PEMUG's claims in the amount of PLN 4,206,000.

Other expenses

In 2021 other expenses amounted to PLN 1,128,000 while in the same period of 2020 this figure was PLN 1,894,000 – the dominant item in both periods was

donations (in 2020 this figure was more than twice as high as in the current period).

Other net losses

In Q4 2021 other net losses amounted to PLN 1,432,000 as compared to PLN 7,385,000 in Q4 2020. Other net losses in the entire 2021 were PLN 5,749,000 as compared to a net loss of net profit of PLN 7,321,000 for 2020.

Other net losses mainly consists of valuation of FX contracts related to the sales of coal – PLN 4,240,000. This item also includes fixed asset impairment charges. In 2021 they amounted to PLN 652,000 as compared to PLN 6,240,000 in 2020.

EBIT

In Q4 2021 operating result amounted to PLN 154,001,000. EBIT margin in the fourth quarter of 2021 was 21.9%, i.e. it was higher by 12.4 p.p. than in the fourth quarter of the prior year. EBIT margin for the whole 2021 was higher by 10.3 p.p. compared to the 2020, and accounted for 15.5%.

EBITDA

In Q4 2021 EBITDA increased by 74.6% as compared to Q4 2020 and amounted to PLN 259,292. EBITDA margin in Q4 2021 equalled 36.9%, which shows an increase compared to the same period of 2020. In 2021 the Group achieved an EBITDA margin of 33.6%, i.e. 8.0 p.p. more year on year compared to 2020 (while the EBITDA amount increased by 71.1% in the analysed period). In 2021, EBITDA amounted to PLN 797,601,000, compared to PLN 466,167,000 in 2020.

Finance income

Finance income in Q4 2021 amounted to PLN 427,000 (-91.4% y/y). In the whole 2021 finance income was PLN 675,000 (-91.0% y/y). The decline is related to a decrease in the effective interest rate close to zero for nearly whole 2021. In addition, in 2020 financial income was affected by the release of the provision for PEMUG's claims, in the part that

covered interest of PLN 3,139,000, and the result of the settlement of interest on real estate tax of PLN 1,693,000.

Finance costs

In Q4 2021 finance costs amounted to PLN 1,879,000. And remained at the same level as in the same period of 2020.

The finance costs for the entire 2021 amounted to PLN 8,345,000 as compared to PLN 9,588,000 in the same period of 2020.

As at 31 December 2021 total debt of the Group amounted to PLN 12,182,000, as compared to PLN 11,008,000 as at 31 December 2020.

Profit before taxation

In Q4 2021 the Group recorded pre-tax profit of PLN 152,549,000 compared to the profit of PLN 47,603,000 in Q4 2020. Profit/(loss) before taxation for the whole 2021 amounted to PLN 359,128,000 compared to PLN 93,190,000 in 2020.

Net profit for the reporting period

In Q4 2021 the net profit of the Group amounted to PLN 123,515,000 as compared to PLN 38,123 in Q4 2020.

The net profit of the Group for 2021 was PLN 288,266,000 compared to PLN 72,962,000 in the previous year.

Balance sheet of the LW Bogdanka Group

Balance sheet

[PLN '000]	31 Dec. 2020	31 Dec. 2021	Change
Total assets	4,375,263	4,702,044	7.5%
Return on Assets (ROA)*	1.7%	6.4%	4.7 p.p.
Non-current assets	3,763,945	3,676,428	-2.3%
Current assets	611,318	1,025,616	67.8%
Equity	3,299,827	3,593,709	8.9%
Return on Equity (ROE)*	2.2%	8.4%	6.2 p.p.
Provisions and liabilities	1,075,436	1,108,335	3.1%

* the calculations include net result for the last four quarters and an average level of assets and equity (as at 31 December 2021 + as at 31 December 2019)/2

Assets

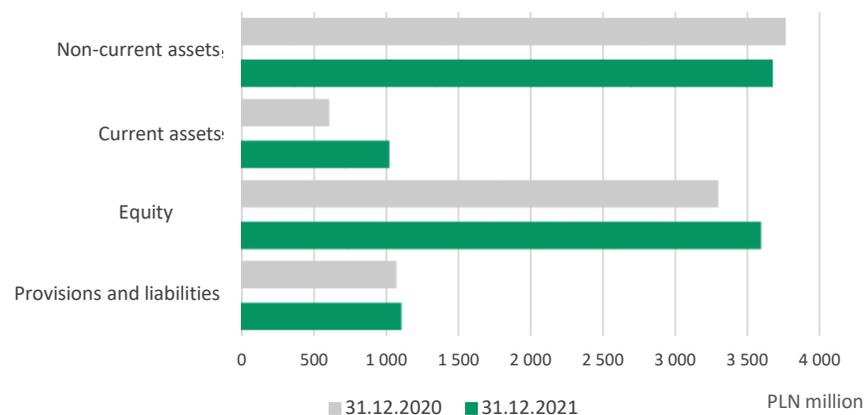
The balance-sheet total as at 31 December 2021 went up by PLN 326,781,000 as compared to 31 December 2020 and amounted to PLN 4,702,044,000, with non-current assets going down by PLN 87,517,000 and current assets going up by PLN 414,298,000. Within current assets, cash was the main assets with a value increase, by 148.4%. As at 31 December 2021 the ROA figure was 6.4%, while as at the end of 2020 it was 1.7%.

Equity and liabilities

The equity went up by 8.9%. It was an effect of the comprehensive income generated for 2021. Provisions and liabilities went up by 3.1% as compared to the value as at 31 December 2020, with current liabilities rising by 43.0% (increase was recorded mainly in trade liabilities, other liabilities and provisions for other liabilities and charges) and non-current liabilities going down by 17.1% (mainly provisions for other liabilities and charges, deferred tax liabilities and employee benefit liabilities).

At 31 December 2021 an increase in ROE was recorded (by 6.2 p.p.) compared to the end of 2020. The value of the ratio as at 31 December 2021 was 8.4% compared to 2.2% as at 31 December 2020.

Analysis of the consolidated statement of financial position

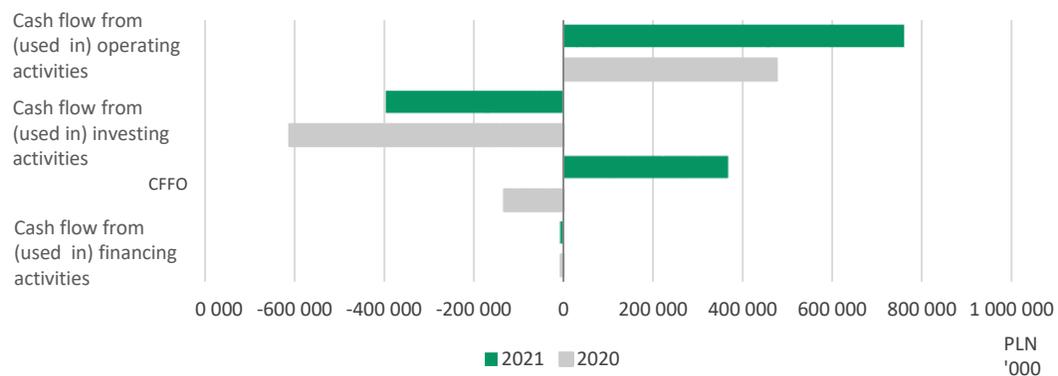


Cash flow of the LW Bogdanka Group

Cash flow

[PLN '000]	Q4 2020	Q4 2021	Change	2020	2021	Change
Cash flow from (used in) operating activities	77,805	282,667	263.3%	476,960	762,812	59.9%
Cash flow from (used in) investing activities	-172,236	-125,631	-27.1%	-611,029	-394,353	-35.5%
CFFO*	-94,431	157,036	-	-134,069	368,459	-
Cash flow from (used in) financing activities	-1,615	-4,311	166.9%	-7,061	-9,894	40.1%

* total cash flow from operating and investing activity



In Q4 2021 the Group generated net cash flow from operating activities higher by PLN 204,862,000 than in Q4 2020 – in 2021 it amounted to PLN 282,667,000 as compared to PLN 77,805,000 in the same period of prior year. During the whole 2021, the LW Bogdanka Group generated cash flow from operating activities in the amount of PLN 762,812,000 (+59.9% y/y). The increase by PLN 285,852,000 in cash flow from operating activities is primarily related to the increase in the net profit and the tax paid.

Cash flow from investing activities decreased (in absolute terms) in Q4 2021 by 27.1% (to PLN 125,631,000) as compared to the same period in 2020. In 2021 cash flow from investing activities were lower (in absolute values) by 35.5% versus 2020 and amounted to PLN -394,353,000. Capital expenditures (CAPEX) were lower both in Q4 and in the whole 2021.

In Q4 2021 the Group recorded negative cash flow from financing activities of PLN 4,311,000. In 2021 the Group recorded negative cash flow from financing activities in the amount of 9,894,000. Repayment of loans and payment of liabilities under lease agreements were dominant in this respect.

Debt and liquidity ratios at the LW Bogdanka Group

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

Cash flow

[PLN '000]	31 Dec. 2020	31 Dec. 2021	Change
Overall debt ratio	24.6%	23.6%	-1.0 p.p.
Ratio (debt plus employee liabilities)/EBITDA	0.49	0.28	-42.9%
Net debt ratio/EBITDA*	-0.49	-0.74	51.0%
Debt to equity ratio	32.6%	30.8%	-1.8 p.p.
Fixed capital to non-current assets ratio (non-current assets/fixed capital)	101.0%	110.3%	9.3 p.p.
Current debt ratio (current liabilities/equity and liabilities)	8.2%	11.0%	2.8 p.p.
Non-current debt ratio (non-current liabilities/equity and liabilities)	16.3%	12.6%	-3.7 p.p.
* Debt = non-current liabilities due to bonds issue + non-current loans and borrowings + current loans and borrowings			
	31 Dec. 2020	31 Dec. 2021	Change
Current liquidity ratio	1.73	2.09	20.8%
Quick liquidity ratio	1.47	1.89	28.6%

In the period covered by the consolidated financial statements, the liquidity ratios of the Group remained at a safe, high level, and the Group is continuously able to pay its liabilities without difficulty.

Overall debt ratio

The overall debt ratio as at 31 December 2021 went down by 1.0 p.p. as compared to 31 December 2020 and was 23.6% - the increase in equity & liabilities was higher than the change in liabilities.

The level of the Group's debts as at 31 December 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 debt to EBITDA ratio dropped by 42.9% to 0.28 as at the end of 2021. When comparing data as at 31 December 2021 versus 31 December 2020, a higher increase was recorded both in EBITDA (cumulatively for the last four quarters) and level of liabilities.

Ratio net debt/EBITDA

The ratio describing the relation of net debt (total current and non-current interest bearing liabilities less cash and cash equivalents) to EBITDA went up (in absolute terms) from the level of -0.49 as at 31 December 2020 to -0.74 as at 31 December 2021. The value of net debt dropped by ca. PLN 357 million and amounted to PLN -588 million with EBITDA going up by ca. PLN 331 million (EBITDA cumulatively for the last four quarters).

Debt to equity ratio

The debt to equity ratio as at 31 December 2021 decreased in relation to 31 December 2020 by 1.8 p.p. and was 30.8% - liabilities rose by ca. PLN 33 million and equity increased by ca. PLN 294 million.

Fixed capital to non-current assets ratio

The fixed capital to non-current assets ratio was 110.3% (as at 31 December 2021) as compared to 101.0% (as at 31 December 2020) - in the analyzed period non-current assets dropped by approx. PLN 88 million and fixed capitals (equity plus non-current liabilities less provisions) increased by approx. PLN 254 million.

Turnover ratios at the LW Bogdanka Group

Turnover ratios

[PLN '000]			31 Dec. 2020	31 Dec. 2021	Change
1. Inventory turnover	$\frac{\text{average inventories}}{\text{costs of goods, products and materials sold}} \times$	days in the period	23	19	-17.4%
2. Debtors collection rate*	$\frac{\text{average receivables}}{\text{revenue}} \times$	days in the period	51	46	-9.8%
3. Creditors payment rate**	$\frac{\text{average liabilities}}{\text{costs of goods, products and materials sold}} \times$	days in the period	72	73	1.4%
4. Operating cycle	1+2		74	65	-12.2%
5. Cash conversion cycle	4-3		2	-8	-

* Trade and other receivables

** Trade and other liabilities

Inventory turnover

As at 31 December 2021, inventory turnover went down by 4 days to 19 days, as compared to 31 December 2020. Disposal of inventories takes on average 4 days less.

Debtors collection rate

The debtors collection rate (calculated on the basis of the balance-sheet item "Trade and other receivables") was 46 days (as at 31 December 2021), compared to 51 days (as at 31 December 2020). Average receivables increased by approx. PLN 43 million, with revenues going up by ca. PLN 549 million.

Creditors payment rate

The creditors payment rate (calculated on the basis of the balance sheet item "Trade and other liabilities") as at the end of 2021 got longer by 1 days to ca. 73 days, as compared to the figure as at the end of 2020. In the analyzed period the Group had a lower average level of current trade liabilities (by approx. PLN 58 million) with lower costs of products, goods and materials sold (by approx. PLN 268 million).

Operating cycle

The operating cycle for current assets (a sum of inventory turnover and debtors collection rate) in the analysed period shortened to 65 days. On average after 65 days, the Group's current assets are converted into cash.

Cash conversion cycle

The consequence of the above trends, the cash conversion cycle as at 31 December 2021 was -8 days. The negative value of the cash conversion cycle means that the Group uses trade credit (financing with the non-interest-bearing borrowed capital).

Provisions of the LW Bogdanka Group

Balance-sheet provisions

[PLN '000]	As at 31 Dec. 2020	As at 31 Dec. 2021	Change 31.12.2021/ 31 Dec. 2020
Employee provisions	215,327	210,635	-2.2%
Provision for the mine closure costs and land reclamation	212,456	130,402	-38.6%
Mining damage	2,579	6,382	147.5%
Other	4,735	18,804	297.1%
Total	435,097	366,223	-15.8%

Such a considerable change in the provision for main closure mainly results from an increase in discount rate (from 1.5% to 3.7%)

Change in provisions

[PLN '000]	Change Q4 2021	Change Q4 2021	Change Q4 2021/ Q4 2020	Change in 2020	Change in 2021	Change 2021/ 2020
Employee provisions	8,020	-21,361	-	23,362	-4,692	-
Provision for real property tax	-10,761	0	-	-10,306	0	-
Provision for the mine closure costs and land reclamation	18,767	-68,365	-	40,821	-82,054	-
Mining damage	1,336	4,627	246.3%	430	3,803	784.4%
Other	-7,591	3,639	-	-7,502	14,069	-
Total	9,771	-81,460	-	46,805	-68,874	-

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

[PLN '000]	Change of provisions in 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	-4,692	47,397	2,680	-	-7,039	-47,730
Provision for the mine closure costs and land reclamation	-82,054	-491	3,187	-84,750	-	-
Mining damage	3,803	5,482	-	-	-	-1,679
Other	14,069	14,727	-	-	-	-658
Total	-68,874	67,115	5,867	-84,750	-7,039	-50,067

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

[PLN '000]	Change in provisions in Q4 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	-21,361	8,978	561	-	-7,921	-22,979
Provision for the mine closure costs and land reclamation	-68,365	-2,969	921	-66,317	-	-
Mining damage	4,627	5,482	-	-	-	-855
Other	3,639	3,976	-	-	-	-337
Total	-81,460	15,467	1,482	-66,317	-7,921	-24,171

Revenue and key customers of LW Bogdanka S.A.

Dynamics of changes in product range with respect to revenue

[PLN '000]	Q4 2020	Q4 2021	Change	Change %	2020	2021	Change	Change %
Sale of coal	457,871	687,052	229,181	50.1%	1,781,806	2,318,479	536,673	30.1%
Other activities	6,821	7,856	1,035	15.2%	24,508	28,795	4,287	17.5%
Sale of goods and materials	2,895	5,853	2,958	102.2%	12,229	18,788	6,559	53.6%
Total	467,587	700,761	233,174	49.9%	1,818,543	2,366,062	547,519	30.1%

Structure of revenue

[%]	Q4 2020	Q4 2021	2020	2021
Sale of coal	97.9%	98.1%	98.0%	98.0%
Other activities	1.5%	1.1%	1.3%	1.2%
Sale of goods and materials	0.6%	0.8%	0.7%	0.8%
Total	100.0%	100.0%	100.0%	100.0%

Geographical structure of revenue

[PLN '000]	Q4 2020	Structure	Q4 2021	Structure	2020	Structure	2021	Structure
Domestic sales	467,587	100.0%	639,613	91.3%	1,818,543	100.0%	2,235,331	94.5%
Foreign sales	-	0.0%	61,148	8.7%	-	0.00%	130,731	5.5%
Total	467,587	100.0%	700,761	100.0%	1,818,543	100.0%	2,366,062	100.0%

Geographical structure of revenue

The Company operates primarily in Poland. In 2021 the export sales of coal (to Ukraine) were performed both through third-party companies and, in a small part, directly. In 2021 the value of exports in the total revenue was PLN 130,731,000.

Revenue on sales of coal

(+) in Q4 2021 the Company's revenue on sales of coal amounted to PLN 687,052,000, which represents an increase by 50.1% as compared to Q4 2020

(+) in the whole 2021 revenue on sales of coal amounted to PLN 2,318,479,000 as compared to PLN 1,781,806,000 in 2020 (increase by 30.1% y/y).

(+) the main source of revenue at LW Bogdanka S.A. is the production and sale of thermal coal. In each of the compared reporting periods this activity generates approximately 98% of the LW Bogdanka S.A.'s revenue.

Revenue on other operations

In Q4 2021 revenue on other operations was PLN 7,856,000 as compared to PLN 6,821,000 in the same period of 2020 (increase by 15.2% y/y). A significant share in that group of revenue was held by:

- revenue from services of coal transport provided by LW Bogdanka S.A. for the benefit of some customers,
- revenue on industrial services provided to companies performing works contracted by the Company
- revenue on lease of non-current assets.

In the whole 2021 revenue on other operations was PLN 28,795,000, which represents an increase by 17.5% versus 2020. The increase in revenue in this group is related to higher revenue from coal transport under own rail license.

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).

Key customers

Almost 84% of coal sales (in terms of value) in 2021 were effected to Enea Wytwarzanie Sp. z o.o., Enea Elektrownia Połaniec S.A. and Grupa Azoty Zakłady Azotowe Puławy S.A.

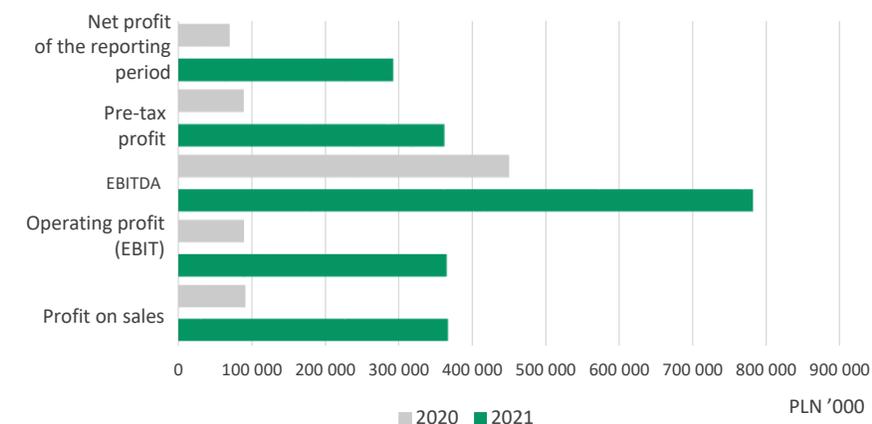
Key customers by share in revenue:

- Enea Wytwarzanie sp. z o.o. – Enea Group – approx. 67% of share in the revenue
- Enea Elektrownia Połaniec S.A. – Enea Group – approx. 11% share in the revenue
- Grupa Azoty Zakłady Azotowe Puławy S.A. – approx. 6% share in revenue

Financial highlights of LW Bogdanka S.A.

Analysis of the income statement

[PLN '000]	Q4 2020	Q4 2021	Change	2020	2021	Change
Revenue	467,587	700,761	49.9%	1,818,543	2,366,062	30.1%
Costs of products, goods and materials sold, selling costs and administrative expenses	420,103	551,527	31.3%	1,726,977	2,000,154	15.8%
Profit on sales	47,484	149,234	214.3%	91,566	365,908	299.6%
Gross sales margin	10.2%	21.3%	11.1 p.p.	5.0%	15.5%	10.5 p.p.
Other income	4,421	3,882	-12.2%	7,296	4,739	-35.0%
Other expenses	555	394	-29.0%	1,905	1,015	-46.7%
Net operating profit	51,350	152,722	197.4%	96,957	369,632	281.2%
Other net losses	-7,337	-1,412	-80.8%	-7,273	-5,716	-21.4%
Operating profit (EBIT)	44,013	151,310	243.8%	89,684	363,916	305.8%
EBIT margin	9.4%	21.6%	12.2 p.p.	4.9%	15.4%	10.5 p.p.
EBITDA	145,499	251,462	72.8%	449,913	781,321	73.7%
EBITDA margin	31.1%	35.9%	4.8 p.p.	24.7%	33.0%	8.3 p.p.
Finance income	4,924	425	-91.4%	8,342	5,176	-38.0%
Finance costs	1,667	1,744	4.6%	8,928	7,844	-12.1%
Profit before taxation	47,270	149,991	217.3%	89,098	361,248	
Pre-tax profit margin	10.1%	21.4%	11.3 p.p.	4.9%	15.3%	
Income tax	9,235	28,821	212.1%	19,048	69,653	265.7%
Net profit	38,035	121,170	218.6%	70,050	291,595	316.3%
Net sales margin	8.1%	17.3%	9.2 p.p.	3.9%	12.3%	8.4 p.p.



Financial highlights of LW Bogdanka S.A.

Revenue

In Q4 2021 sales revenue increased by 49.9% as compared to the same period of the prior year and amounted to PLN 700,761,000. In the whole 2021 the Company generated revenue in the amount of PLN 2,366,062,000 as compared to PLN 1,818,543,000 in 2020 (increase by 30.1%).

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

In Q4 2021 the cost of products, goods and materials sold as well as selling costs and administrative expenses amounted to PLN 551,527,000, i.e. they went up by 131,424,000 (+31.3%) as compared to the same period of the prior year (PLN 420,103,000). In 2021 cost of products, goods and materials sold and materials sold as well as selling costs and administrative expenses stood at a level of PLN 2,000,154,000 which means an increase by 15.8% as compared to 2020 (PLN 1,726,977,000).

Profit on sales

In Q4 2021 profit on sales amounted to PLN 149,234,000, while in the same period of 2020 it amounted to PLN 47,484,000. The Company closed 2021 with a profit on sales in the amount of PLN 365,908,000, versus PLN 91,566,000 in 2020.

Other income

In Q4 2021 other income amounted to PLN 3,882,000 compared to PLN 4,421,000 a year before. In 2021 other income amounted to PLN 4,739,000 compared to PLN 7,296,000 a year before. In 2021 the main item was received damages. A significantly higher amount of other income in the prior year mainly resulted from the release of the provision for

PEMUG's claims in the amount of PLN 4,206,000.

Other expenses

In 2021 other expenses amounted to PLN 1,015,000 as compared to PLN 1,905,000 in 2020. In both periods the main item was granted donations.

Other net losses

In Q4 2021 other net losses amounted to PLN 1,412,000 as compared PLN 7,337,000 in Q4 2020 (including PLN 6,240,000 of impairment loss of non-current assets). In 2021 other net losses were PLN 5,716,000 as compared to PLN -7,273,000 in 2020. In 2021 the main item of other net losses was valuation of foreign exchange contracts related to coal sales.

EBIT

Operating result in Q4 2021 amounted to PLN 151,310,000. EBIT margin was 21.6% in Q4 2020, i.e. it was higher by 12.2 p.p. than in the fourth quarter of the prior year. EBIT margin for the whole 2021 was higher by 10.5 p.p. compared to the 2020, and accounted for 15.4%.

EBITDA

In Q4 2021 EBITDA amounted to PLN 251,462,000 and was higher by 72.8% as compared to Q4 2020. In Q4 2021 EBITDA margin was higher by 4.8 p.p. than in the same period of 2020 and amounted to 35.9%. In 2021 the Company achieved an EBITDA margin of 33.0%, i.e. 8.3 p.p. more year on year as compared to 2020 (while the EBITDA amount increased by 73.7% in the analyzed period). In 2021, EBITDA amounted to PLN 781,321,000, compared to PLN 449,913,000 in 2020.

Finance income

Finance income in Q4 2021 amounted to PLN 425,000 (-91.4% y/y). In the whole 2021 finance income was PLN 5,176,000 (-38.0% y/y).

The difference in the finance income levels y/y mainly results from lower interest income on monetary assets as deposit interest rates were nearly zero almost in the entire 2021. In addition, in 2020 financial income included the release of the provision for PEMUG's claims, in the part that covered interest of PLN 3,319,000, and the result of the settlement of interest on real estate tax of PLN 1,693,000.

Finance costs

In Q4 2021 finance costs were slightly higher than the costs in the same period of 2020, and amounted to PLN 1,744,000. Finance costs for the whole 2021 amounted to PLN 7,844,000 compared to PLN 8,928,000 in 2020 (decrease by 12.1%). As at 31 December 2021, the Company did not hold any interest-bearing debt.

Profit before taxation

In Q4 2021 the Company generated pre-tax profit of PLN 149,991,000 compared to PLN 47,270,000 in Q4 2020. Profit/(loss) before taxation for the whole 2021 amounted to PLN 361,248,000 against PLN 89,098,000 in 2020.

Net profit for the reporting period

In Q4 2021 the Company generated net profit of PLN 121,170,000 compared to PLN 38,035,000 in Q4 2020. The net profit of the Company for 2021 was PLN 291,595,000 compared to PLN 70,050,000 in the previous year.

Balance sheet of LW Bogdanka S.A.

Balance sheet

[PLN '000]	31 Dec. 2020	31 Dec. 2021	Change
Total assets	4,328,189	4,661,044	7.7%
Return on Assets (ROA)*	1.6%	6.5%	4.9 p.p.
Non-current assets	3,746,322	3,661,495	-2.3%
Current assets	581,867	999,549	71.8%
Equity	3,275,367	3,572,614	9.1%
Return on Equity (ROE)*	2.2%	8.5%	6.3 p.p.
Provisions and liabilities	1,052,822	1,088,430	3.4%

* the calculations include net result for the last four quarters and an average level of assets and equity (as at 31 December 2021 + as at 31 December 2019)/2

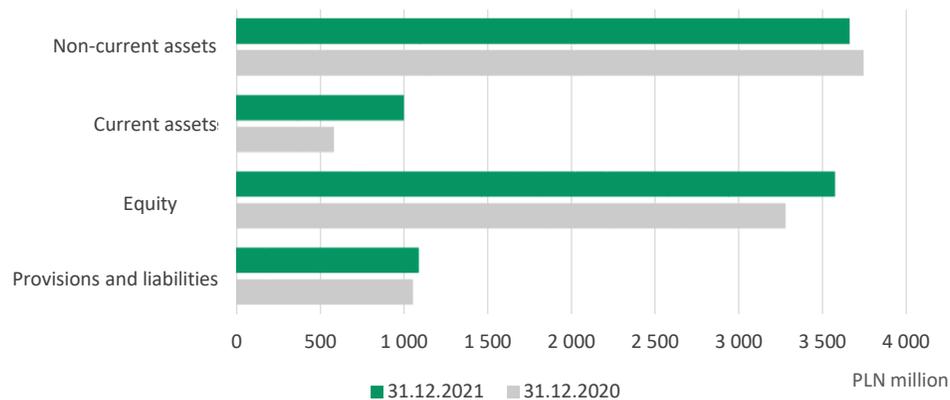
Assets

The balance-sheet total as at 31 December 2021 went up to PLN 4,661,044 (i.e. increased by PLN 332,855,000) as compared to the value as at 31 December 2020, with non-current assets going down by PLN 84,827,000 and current assets going up by PLN 417,682,000. As far as non-current assets are concerned, the value of property, plant and equipment fell by 2.5%. In current assets, an increase was recorded in cash and cash equivalents (+167.8%) and trade and other receivables (+21.2%). As at 31 December 2021 the ROA figure was 6.5%, while as at the end of 2020 it was 1.6%.

Equity and liabilities

The equity went up by 9.1%, it was an effect of the comprehensive income generated for 2021. Provisions and liabilities went up by 3.4% as compared to the value as at 31 December 2020, with current liabilities rising by 43.9% (increase was recorded mainly in trade liabilities, other liabilities and provisions for other liabilities and charges) and non-current liabilities going down by 17.0% (mainly provisions for other liabilities and charges and deferred tax liabilities). At 31 December 2021 an increase in ROE was recorded (by 6.3 p.p.) compared to the end of 2020. The value of the ratio as at 31 December 2021 was 8.5% compared to 2.2% as at 31 December 2020.

Analysis of the separate statement of financial position



Cash flow of LW Bogdanka S.A.

Cash flow

[PLN '000]	Q4 2020	Q4 2021	Change	2020	2021	Change
Cash flow from (used in) operating activities	75,524	281,826	273.2%	455,888	743,742	63.1%
Cash flow from (used in) investing activities	-169,910	-124,790	-26.6%	-602,609	-376,419	-37.5%
FFO*	-94,386	157,036	-	-146,721	367,323	-
Cash flow from (used in) financing activities	-729	-739	1.4%	-3,396	-3,545	4.4%

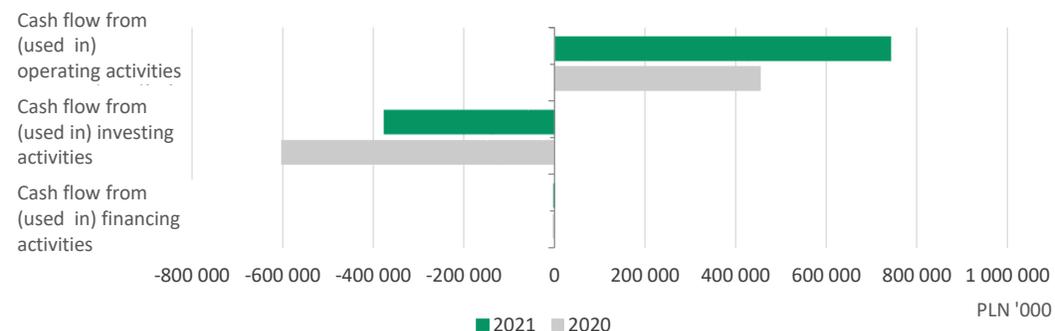
* total cash flow from operating and investing activity

In Q4 2021 the Company generated net cash flow from operating activities higher by 273.2% than in Q4 2020 – in Q4 2021 it amounted to PLN 281,826,000 compared to PLN 75,524,000 a year before. In 2021, the Company generated cash flow from operating activities in the amount of PLN 743,742,000 (+63.1% y/y).

Cash flow from investing activities decreased its value (in absolute values) in Q4 2021 by 26.6% (to PLN 124,790,000) relative to the analogous period of 2020. Cumulative for 12 months of 2021 cash flow from investing activity was lower by 37.5% from cash flow from the analogous period last year.

In Q4 2021, the Company recorded negative cash flow from financing activities of PLN 739,000. In the whole 2021, the Company also generated negative cash flows from financing activities of PLN 3,545,000 (in both cases as regards payments under financial lease agreements).

Analysis of Cash Flows



Debt and liquidity ratios at LW Bogdanka S.A.

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

Cash flow

[PLN '000]	31 Dec. 2020	31 Dec. 2021	Change
Overall debt ratio	24.3%	23.4%	-0.9 p.p.
Ratio (debt plus employee liabilities)/EBITDA*	0.47	0.26	-44.7%
Net debt ratio/EBITDA*	-0.48	-0.74	54,2%
Debt to equity ratio	32.1%	30.5%	-1.6 p.p.
Fixed capital to non-current assets ratio (non-current assets/fixed capital)	100.5%	109.9%	9.4 p.p.
Current debt ratio (current liabilities/equity and liabilities)	8.1%	10.9%	2.8 p.p.
Non-current debt ratio (non-current liabilities/equity and liabilities)	16.2%	12.5%	-3.7 p.p.

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

	31 Dec. 2020	31 Dec. 2021	Change
Current liquidity ratio	1.69	2.07	22.5%
Quick liquidity ratio	1.43	1.88	31.5%

In the period covered by the consolidated financial statements, the liquidity ratios of the Company remained at a safe, high level, and the Company is continuously able to pay its liabilities without difficulty.

Overall debt ratio

The overall debt ratio as at 31 December 2021 went down by 0.9 p.p. as compared to 31 December 2020 and reached 23.4% – value of equity and liabilities increased in relation to liabilities mainly due to retained earnings.

The level of the Company's debts as at 31 December 2021 did not pose any risk to the Company's operation and its ability to settle liabilities in a timely manner. The Company'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 Q4 2021 dropped by 44.7% to 0.26. When comparing data as at 31 December 2021 to data as at 31 December 2020, an increase was recorded in EBITDA (cumulatively for the last four quarters), while debt level slightly decreased.

Ratio net debt/EBITDA

The ratio describing the relation of net debt (total current and non-current interest bearing liabilities less cash and cash equivalents) to EBITDA went up (in absolute terms) from the level of -0.48 as at 31 December 2020 to -0.74 as at 31 December 2021. The value of net debt dropped by ca. PLN 364 million and amounted to PLN -581 million with EBITDA going up by ca. PLN 331 million (EBITDA cumulatively for the last four quarters).

Debt to equity ratio

Debt to equity ratio as at 31 December 2021 increased in relation to 31 December 2020 by 9.4 p.p. and was 30.5% - liabilities went up by ca. PLN 37 million along with an increase in equity by ca. PLN 297 million.

Fixed capital to non-current assets ratio

The fixed capital to non-current assets ratio was 109.9% (as at 31 December 2021) as compared to 100.5% (as at 31 December 2020) – in the analyzed period non-current assets dropped by approx. PLN 85 million and fixed capitals (equity plus non-current liabilities less provisions) increased by approx. PLN 260 million.

Turnover ratios at LW Bogdanka S.A.

Turnover ratios

[PLN '000]			31 Dec. 2020	31 Dec. 2021	Change
1. Inventory turnover	$\frac{\text{average inventories}}{\text{costs of goods, products and materials sold}} \times$	days in the period	22	20	-9.1%
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	73	1.4%
4. Operating cycle	1+2		73	63	-13.7%
5. Cash conversion cycle	4-3		1	-10	-

* Trade and other receivables

** Trade and other liabilities

Inventory turnover

As at 31 December 2021, inventory turnover went down by 2 days to 20 days, as compared to 31 December 2020. Disposal of inventories takes on average 2 days less.

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 31 December 2021), compared to 51 days in 2020. The increase in the ratio's value is attributable to a higher average level of receivables with a significantly higher average level of the revenue.

Creditors payment rate

The creditors payment rate (calculated on the basis of the balance sheet item "Trade and other liabilities") as at the end of 2021 got longer by 1 day to ca. 73 days, as compared to the end of 2020. In the analyzed period the Company had a lower average level of current trade liabilities (by approx. PLN 61 million) and higher costs of products, goods and materials sold (by approx. PLN 264 million).

Operating cycle

The operating cycle for current assets (a sum of inventory turnover and debtors collection rate) in the analysed period shortened to 63 days. On average after 63 days, the Company's current assets are converted into cash.

Cash conversion cycle

The consequence of the above trends, the cash conversion cycle as at 31 December 2021 was -10 days. The negative value of the cash conversion cycle means that the Group uses trade credit (financing with the non-interest-bearing borrowed capital).



Provisions of LW Bogdanka S.A.

Balance-sheet provisions

[PLN '000]	As at 31 Dec. 2020	As at 31 Dec. 2021	Change 2021/2020
Employee provisions	209,580	204,687	-2.3%
Provision for the mine closure costs and land reclamation	212,456	130,402	-38.6%
Mining damage	2,579	6,382	147.5%
Other	4,487	18,703	316.8%
Total	429,102	360,174	-16.1%

Such a considerable change in the provision for main closure mainly results from an increase in discount rate (from 1.5% to 3.7%)

Change in provisions

[PLN '000]	Change Q4 2021	Change Q4 2021	Change Q4 2021/ Q4 2020	Change in 2020	Change in 2021	Change 2021/2020
Employee provisions	9,724	-18,440	-	22,350	-4,893	-
Provision for real property tax	-10,761	0	-	-10,306	0	-
Provision for the mine closure costs and land reclamation	18,767	-68,365	-	40,821	-82,054	-
Mining damage	1,336	4,627	246.3%	430	3,803	784.4%
Other	-7,555	3,972	-	-7,721	14,216	-
Total	11,511	-78,206	-	45,574	-68,928	-

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

[PLN '000]	Change of provisions in 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	Amount disclosed in Other Comprehensive Income	Change disclosed only in the balance-sheet — use of the provision
Employee provisions	-4,893	46,334	2,628	-	-6,978	-46,877
Provision for the mine closure costs and land reclamation	-82,054	-491	3,187	-84,750	-	-
Mining damage	3,803	5,482	-	-	-	-1,679
Other	14,216	14,335	-	-	-	-119
Total	-68,928	65,660	5,815	-84,750	-6,978	-48,675

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

[PLN '000]	Change of provisions in Q4 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	Amount disclosed in Other Comprehensive Income	Change disclosed only in the balance-sheet — use of the provision
Employee provisions	-18,440	11,348	509	-	-7,860	-22,437
Provision for the mine closure costs and land reclamation	-68,365	-2,969	921	-66,317	-	-
Mining damage	4,627	5,482	-	-	-	-855
Other	3,972	3,972	-	-	-	-
Total	-78,206	17,833	1,430	-66,317	-7,860	-23,292

Costs of LW Bogdanka S.A.

Costs by type

[PLN '000]	Q4 2020	Q4 2021	Change	2020	2021	Change
Net production ['000 tonnes]	2,074	2,432	17.3%	7,612	9,935	30.5%
Sales ['000 tonnes]	1,970	2,792	41.7%	7,670	10,036	30.8%
Depreciation/amortisation	94,409	99,587	5.5%	353,990	416,753	17.7%
Materials and energy consumption	134,967	142,869	5.9%	501,940	474,751	-5.4%
Outsourced services	122,914	128,287	4.4%	462,016	467,561	1.2%
Employee benefits	229,712	268,397	16.8%	651,888	726,203	11.4%
Entertainment and advertising costs	1,344	2,248	67.3%	7,804	10,266	31.5%
Taxes, fees and charges	17,370	11,606	-33.2%	52,802	52,836	0.1%
Other expenses	606	747	23.3%	2,394	24,452	921.4%
Total costs by type	601,322	653,741	8.7%	2,032,834	2,172,822	6.9%
Cost of own work	-60,439	-65,796	8.9%	-279,952	-191,692	-31.5%
Accruals and deferrals	-76,141	-77,518	1.8%	1,104	8,122	635.7%
Value of coal obtained from excavations	-14,361	-25,888	80.3%	-55,071	-77,918	41.5%
Provisions and other presentation adjustments between costs by type and by function	-11,398	-1,976	-82.7%	9,850	49,890	406.5%
Total production cost	438,983	482,563	9.9%	1,708,765	1,961,224	14.8%
Change in products	-21,436	63,624	-396.8%	6,324	21,286	236.6%
Costs of goods and materials sold	2,556	5,340	108.9%	11,888	17,644	48.4%
Own cost of sales, including:	420,103	551,527	31.3%	1,726,977	2,000,154	15.8%
Costs of products, goods and materials sold	382,928	505,385	32.0%	1,574,215	1,825,300	15.9%
Selling costs	7,428	10,775	45.1%	31,886	40,040	25.6%
Administrative expenses	29,747	35,367	18.9%	120,876	134,814	11.5%

Q4 2021

In Q4 2021, LW Bogdanka S.A. incurred costs by type in the amount of PLN 653,741,000 (+ PLN 52,419,000 y/y), i.e. higher by 8.7% than in Q4 2020. This increase in costs recorded in Q4 2021 was primarily influenced by a higher value of consumption of materials and energy and employee benefits.

Depreciation and amortization went up by 5.5% (to PLN 99,587,000) – mainly with respect to depreciation of non-current assets, which rose by approx. PLN 6.5 million, as a result of settlement of investment projects and enlargement of underground infrastructure.

Consumption of materials and energy increased by 5.9% in Q4 2021 as compared to Q4 2020, and amounted to PLN 142,869,000. In the analyzed period, consumption of materials increased (additional preparatory work - mainly higher utilization of supporting equipment, belt conveyers and chain nets). Electricity consumption cost was offset by a lower water heating cost.

The cost of outsourced services went up by 4.4% compared to Q4 2020, and totaled PLN 128,287,000. In the period under analysis an increase was mainly recorded in the value of mining and drilling services (+ PLN 7.9 million), repair services (+ PLN 2.3 million) and other services (+ PLN 2.7 million), while a decline was observed in the value of Saturday and Sunday works (- PLN 2.1 million), supporting services (- PLN 4.0) and waste management (- PLN 1.5 million).

In Q4 2021 the value of employee benefits increased by PLN 38.7 million as compared to Q4 2020. This comes as a result of increased remunerations and mandatory contributions with other employee benefits (Company Social Benefits Fund).

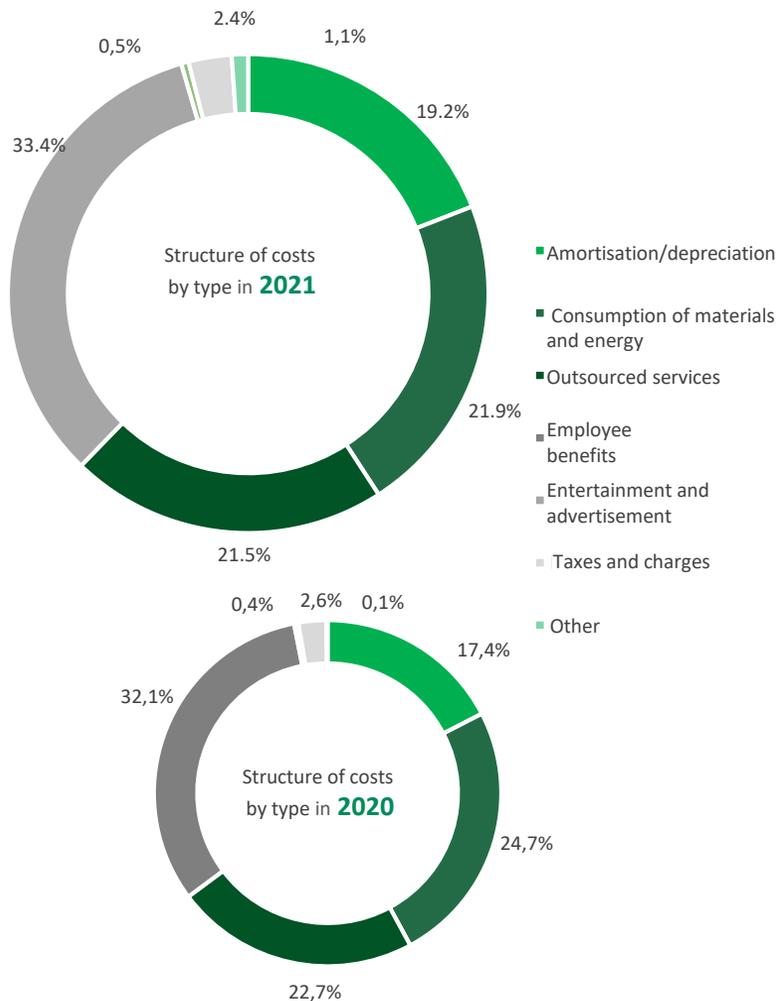
An increase in the value of hospitality expenditure and advertising costs by PLN 0.9 million is a consequence of an additional sponsorship agreement and an altered payment schedule related to it.

The decrease increase in taxes and charges by approx. PLN 5.8 million is primarily attributable to lower real property tax.

The increase in other expenses by PLN 0.1 million mainly results from higher costs of advertising and business travel.

Costs of LW Bogdanka S.A.

Costs by type



2021

In whole 2021, LW Bogdanka S.A. incurred costs by type in the amount of PLN 2,172,822,000, i.e. by 6.9% (+ PLN 139,988,000), i.e. higher by 6.9% than in the same period of 2020. The increase in costs recorded in the analyzed period was largely influenced by an increase in depreciation and amortization, employee benefits and other costs.

Depreciation and amortization went up by 17.7% (to PLN 416,753,000) – mainly with respect to depreciation of non-current assets and natural depreciation, which results from higher output and higher progress of walls.

Total cost of materials and energy consumption went down by 5.4% compared to 2020, and totalled PLN 474,751,000. In the period under analysis approx. 2.5 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).

As compared to 2020, the value of outsourced services went up in 2021 from PLN 462,016,000 to PLN 467,561,000 (+1.2%). In the period under analysis, an increase was mainly recorded in the value of Saturday and Sunday work (+ PLN 28.6 million), auxiliary and workday works (+ PLN 4.6 million), waste management (+ PLN 4.6 million), repairs (+ PLN 4.7 million) and other costs (+ PLN 6.9 million), while the value of mining and drilling services decreased (- PLN 43.0 million).

..., as compared to 2020, the value of employee benefits increased by PLN 74.3 million. The increase in the analyzed period is mainly due to a raise of basic pay by 4.5% in 2021 and one-off bonuses related to the extraction output achieved in the first half of 2021, as well as one-off bonuses for the record extraction output and sales in the entire 2021.

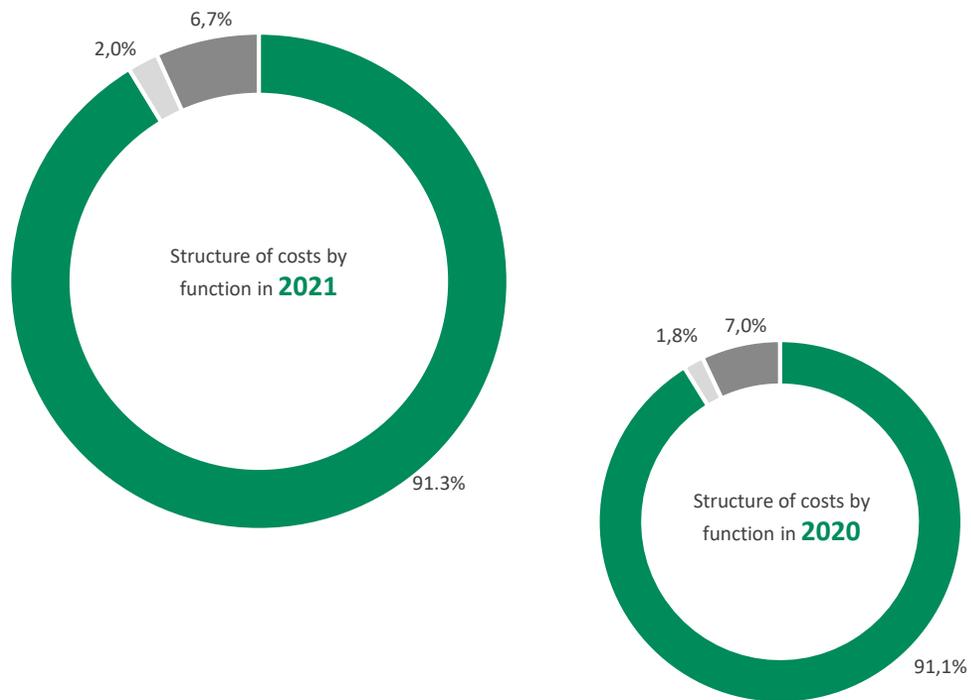
The value of hospitality expenditure and advertising costs rose by PLN 2.5 million as a consequence of additional sponsorship agreement concluded in 2021.

Taxes and charges remained practically unchanged versus prior year and amounted to PLN 52,836,000.

Other costs rose by PLN 22.1 million on account of a new insurance policy for another period (its cost is to be settled in time, in proportion to its term).

Costs of LW Bogdanka S.A.

Costs by function



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

Costs by function

The cost of own production sold (by function) in Q4 2021 amounted to PLN 551,527,000 while in the analogous period of the previous year, it was PLN 420,103,000.

Own cost of production sold (by function) in 2021 was PLN 2,000,154,000 and was higher by 15.8% (PLN 273,177,000) than the cost incurred in 2020.

[PLN '000]	Q4 2020	Q4 2021	Change	2020	2021	Change
Costs of products, goods and materials sold	382,928	505,385	32.0%	1,574,215	1,825,300	15.9%
Selling costs	7,428	10,775	45.1%	31,886	40,040	25.6%
Administrative expenses	29,747	35,367	18.9%	120,876	134,814	11.5%
Own cost of sales	420,103	551,527	31.3%	1,726,977	2,000,154	15.8%

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).

Suppliers

The granting of contracts by entities conducting business activities involving mining hard coal for the purpose of conducting those business activities is subject to the provisions of law on sectoral public contracts. At the LW Bogdanka Group all procurement orders above the thresholds, as defined in the Public Procurement Law, are granted in compliance with the procedures specified in the abovementioned Act.

Other orders are made based on procedures applied at the Group.

The principal suppliers for the LW Bogdanka Group include mainly companies that provide services and offer products characteristic for mining industry (drilling and reconstructions of workings, output dump, as well as supply of support systems for longwall galleries, specialist mining machines and equipment) and ones that provide electricity. Between 1 January and 31 December 2021, the value of 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 December 2021 stood at PLN 747,846,000, of which:

- PLN 147,671,000 disclosed in non-current assets,
- PLN 600,175,000 is disclosed in current assets.

The amount of PLN 147,671,000 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 bank account or, if only possible (due to historically low level of interest rates) - in a bank deposit.

The amount of PLN 600,175,000 includes financial resources (available cash) which, due to the current market situation, are, similar as above, held in bank accounts or kept in short- and medium-term bank deposits (including overnights) – the level of deposits varies depending on internal income and expenditure forecasts as well as the ability of banks cooperating with the Group and its companies to provide appropriate solutions. 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). Financial resources gathered by the Parent amount to PLN 580,560,000, and in subsidiaries to PLN 19,615,000 (mainly Łęczyńska Energetyka).

Assessment of factors and untypical events affecting the operating profit

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 so-called third wave of the coronavirus, which took place in Q1 and in the beginning of Q2 2021, and on the example of the fourth wave, which occurred in Q4 2021. From the beginning of 2022, the number of COVID infections and hospitalized patients is on the rise again, mainly caused by "Omicron," a new variant of the coronavirus. As Omicron is highly infectious, the "fourth wave" has smoothly moved to the "fifth wave". However, during 2021, the circumstances described above did not affect the Group's operations and financial results to such an extent as in 2020. In addition, the initiatives to maximize the utilization of production capacity, the commitment of the personnel and the optimized wall run system and timetable in the time of higher demand for coal translated into record-high output and, in consequence, excellent financial results for 2021. However, bearing in mind the risks posed by COVID-19, the Group continues to apply proper safeguards and other measures to contain the negative impact of COVID-19 on its 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.

On 24 February 2022, a conflict in Ukraine begun. A relatively short distance to hot zone means that the conflict also affects the Company, however, as of today, its exact impact on the current and future operating and financial results of the Company

is impossible to determine. Export sales, which had been developing in recent periods, and which mainly included coal sales to Ukraine, accounted for 5.5% of the Company's sales revenue in 2021. In 2022 selling coal to Ukraine can be significantly hindered due to the military conflict, the resulting damage to infrastructure and elevated risk connected with supplies. As of today, the extent and duration of such difficulties are still difficult to predict.

Irrespective of the above, demand for thermal coal is very high at present and the Company can sell its entire output in the domestic market. Therefore, the Company believes that this event should not significantly affect its current and future financial results. The impact of those events is described in more detail in Note 36 to the Consolidated Financial Statements.

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

In 2021 no material off-balance sheet items occurred.



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

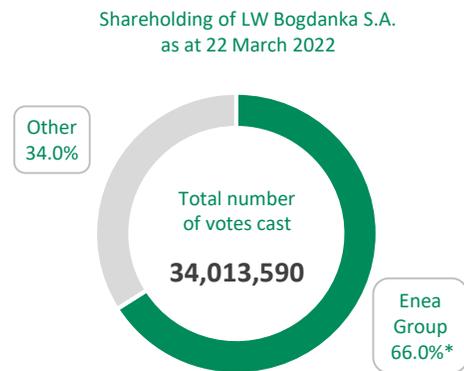
In 2021 LW Bogdanka S.A. and its subsidiaries did not acquire any treasury shares of the Company.

Changes in the shareholding structure by the date of the Report

According to information held by the Parent, no changes in the ownership structure of significant blocks of shares occurred in the period from the publication of the previous periodic report, i.e. the report for Q3 2021, to the day of publication of the annual report.

Shareholding structure

The graph below shows a shareholding structure of the Company as at 22 March 2022.



* 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

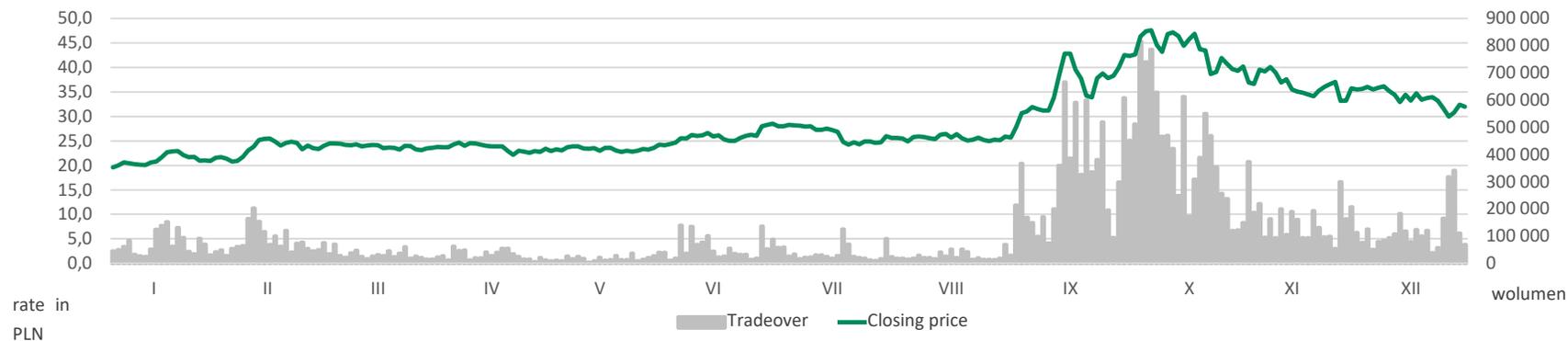
The Company was first listed on the Warsaw Stock exchange on 25 June 2009. During 2021, LW Bogdanka S.A. made part of the following indices:

- 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 (WIG Mining) – includes companies classified into the "Mining" sector
- WIG-Poland – includes only the shares of domestic companies listed on the WSE Main Market that meet the baseline criteria of participation in indices.
- Investor MS – Investor MS Index is an external index calculated by the stock exchange on commission of Investors TFI S.A.

The functionality of the index is to assess behaviour of share prices of companies with medium and small market cap, which make an investment area of the "Investor Top 25 Małych Spółek FIO" fund (open-end fund of top 25 small companies).



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



Key share indicators:	2019	2020	2021
Maximum price [PLN]	56.5	36.0	47.6
Minimum price [PLN]	32.3	14.8	19.6
Last price [PLN]	34.9	19.2	32.0
Average price [PLN]	41.1	20.9	28.7
Capitalisation at end of period [PLN million]	1,185.4	653.1	1,088.4
Book value [PLN million]	3,207.4	3,275.4	3,275.4
Price/earnings ratio	3.9	9.3	3.7
Price/book value	0.4	0.2	0.3
Rate of return at end of period [%]	-33.0	-45.8	64.3
Dividend rate [%]	2.1%	-	-
Average turnover per session [PLN '000]	817.7	888.8	4,418.9
Average volume per session	20,094	44,230	115,447
Number of shares in float [no. of shares]	34,013,590	34,013,590	34,013,590

Analysts recommendations

Date	Institution	Recommendation	Target price	Price on the recommendation date
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
5 August	Noble Securities DM	Hold	PLN 29.26	PLN 25.80
21 September	Santander	Sell	PLN 22.20	PLN 33.90
26 September	Ipopema	Buy	PLN 43.33	PLN 37.80
27 September	Bank Pekao BM	Buy	PLN 45.00	PLN 38.30
25 October	PKO Securities	Sell	PLN 31.00	PLN 41.90
14 December	BOŚ	Sell	PLN 36.00	PLN 34.40

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

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

Shares in related entities of the Company

Members of the Management Board and the Supervisory Board of LW Bogdanka S.A. do not hold shares in the subsidiaries:

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

According to information held by the Parent, no changes in the ownership of shares of LW Bogdanka S.A. by persons performing management and supervisory functions occurred in the period from the publication of the previous periodic report, i.e. the report for Q3 2021, to the day of publication of the annual report.

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

Name and surname	MANAGEMENT BOARD					
	The number of the Company shares as of 22 March 2022	Par value of the shares (PLN)	The number of the Company shares as of 24 November 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	
Kasjan Wyligala	0	0	-	-	-	
Name and surname	SUPERVISORY BOARD					
	Number of the Company's shares as at 22 March 2022	Par value of the shares (PLN)	The number of the Company shares as of 24 November 2021	Par value of the shares (PLN)	Number of shares in subsidiary companies	
Anna Chudek	0	0	0	0	0	
Szymon Jankowski	0	0	0	0	0	
Dariusz Batyra	1,000	5,000	1,000	5,000	0	
Krzysztof Gigol	0	0	0	0	0	
Bożena Knipfelberg	0	0	0	0	0	
Zbigniew Rak	0	0	0	0	0	
Marcin Jakubaszek	0	0	0	0	0	
Bartosz Rożnawski	0	0	0	0	0	
Grzegorz Wróbel	0	0	0	0	0	
TOTAL	1,253	6,265	1,253	6,265	0	

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

Dividend policy of LW Bogdanka S.A.

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.

In the light of rapid changes in both Polish and global coal markets, it is a priority for the Management Board to ensure financial and liquidity security for the Company. Therefore, the dividends recommended each time by the Management Board will depend on:

- current market situation
- generated operating cash flows
- planned capital expenditures and investments
- projected debt of the Company.

The above dividend payment policy will be reviewed periodically, and future dividend payments will be made in accordance with the decisions of the General Shareholders Meeting.

Dividend paid from profit in 2019-2021

	2019	2020	2021
Net profit (separate) for the previous year [PLN million]	51.6	306.2	70.0
Total dividend [PLN million]	25.5	-	-
Dividend per share [PLN]	0.75	-	-
Earnings/loss per share [PLN]	1.5	9.0	2.1
Dividend payment rate	49.4%	-	-
Dividend rate	2.1%	-	-





5

Governing bodies

Composition of the Management Board of LW Bogdanka S.A. as at 22 March 2022

Artur Wasil – President of the Management Board

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

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

He graduated from the Lublin University of Technology in 1998 with a degree in Management and Marketing. In 2000 he completed postgraduate studies in Corporate Finance and Capital Market. In 2003 he graduated with a Master of Business Administration degree from Warsaw University & University of Illinois. He has participated in multiple training courses in the domains of finance and reporting according to the International Financial Reporting Standards (IFRS/IAS).

He is a Member of Supervisory Boards of companies. In 1998-2000, he worked as a financial analyst at a consultancy firm DEMOS Sp. z o.o., gaining experience in the scope of analysis and price estimation of enterprises, consulting

implementations of efficiency solutions, preparing privatisation reports for the Polish Ministry of Treasury. Since 2000 he has been part of Lubelski Węgiel BOGDANKA S.A. Within the Company, he has climbed the career ladder from Financial Analyst, Manager of Planning and Analysis to Chief Economist. Since 2013 he served as the Controlling Director and in 2018 he took the position of Controlling and Finance Director. Since October 2018, he has been Vice-President of the Management Board for Economic and Financial Affairs of LW Bogdanka S.A.

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

He obtained an M.Sc. degree from the Lublin University of Technology where he studied computer science application in engineering. He also completed post-graduate studies at the University College of Enterprise and Administration in Lublin with major in finance and accounting. He has completed a number of training courses in the following fields: audit, responsibility and competence of management personnel, finance for managers, as well as courses for members of management boards and supervisory boards of companies. He has been related to LW Bogdanka 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.

Dariusz Dumkiewicz – Vice-President of the Management Board responsible for Development

Graduate of the Faculty of Law and Administration at the Marie Curie Skłodowska University in Lublin, from which he graduated in 2002 with a degree in law. He has also completed postgraduate programme in "Project Management and EU Law" arranged by UMCS and the Lublin Development Foundation. In 2018 he completed his Master of Business Administration degree at the Lublin University of Technology. He has extensive professional 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.

Kasjan Wyligąła - Vice-President of the Management Board for Operations

In 2014 he obtained his MA in law at the Law and Administration Faculty of the Warsaw University. He also completed the Executive Master of Business Administration programme at the Institute of Economics of the Polish Academy of Sciences and Financial Management of Enterprises programme at the Warsaw School of Economics. Mr Kasjan Wyligąła boast many years of experience in governing bodies of public and foreign commercial companies gained while being a member of management and supervisory boards. He became involved in the mining sector in 2016 when he joined Industrial Development Agency, first as an Advisor to the President of the Management Board, and then as the Head of the Bureau of Strategic Analyses. In 2017 he joined one of the largest non-ferrous metal mining company in the world – KGHM Polska Miedź S.A., where he was the Chief Corporate Supervision Officer and Head of the Asset Management Department.



Composition of the Supervisory Board of LW Bogdanka S.A. as at 22 March 2022

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.

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.



Composition of the Supervisory Board of LW Bogdanka S.A. as at 22 March 2022

Marcin Tomasz Jakubaszek

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

Bartosz Rożnawski

He graduated from the Stanisław Staszic AGH University of Science and Technology in Krakow, with a degree in Environmental Geophysics Engineering as well as Mining and Geology. At the AGH University he has also completed post-graduate studies: "Managing the value of a mining enterprise". He holds an MBA title in Management obtained at the WSB Academy in partnership with the EY Academy of Business.

He started his professional career in 2006 as an intern at LW "Bogdanka" S.A. and after one year he continued as a shift foreman. In 2010-2012 he was employed as a section foreman of a mine section. In 2017 he was entrusted with a function of Manager of Mining Department, and in 2020 he was appointed

Deputy Head of Mining Supervision in Mining Facility. Since July 2020, he has been acting as a member of the Supervisory Board of LW Bogdanka S.A.

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 RC Ekoenergia Sp. z o.o. in Czechowice-Dziedzice.





Changes in the composition of the Company's Management Board

Date

In 2021 no changes occurred in the Management Board of LW Bogdanka S.A.

11 March 2022

The Company's Management Board appointed Mr. Kasjan Wyligala as Vice-President of the Management Board for Operations, effective 14 March 2022 (event after the balance-sheet date).

Changes in the composition of the Supervisory Board

Date

1 June 2021

Extraordinary General Shareholders Meeting dismissed Ms. Iwona Gołden and Mr. Michał Stopyra from the Company's Supervisory Board and appointed Ms. Bożena Knipfelberg and Mr. Zbigniew Rak instead.

Rules of appointment and remuneration; salary levels at the Management Board

Rules of appointment and description of powers of the governing bodies of the Company

Detailed information can be found in Chapter 6. Corporate Governance on pages 80-90.

Rules of remuneration of the Management Board Members

The rules of remuneration of the Members of the Management Board of LW Bogdanka S.A. which applied in 2021 were introduced by Resolutions of the Extraordinary General Shareholders Meeting of the Company of 7 March 2017 and 17 October 2019, and of the Supervisory Board of the Company of 30 July 2018, as amended, as well as the *Remuneration policy for the members of the supervisory body and management body of Lubelski Węgiel Bogdanka S.A.*, introduced under a Resolution of the Annual General Shareholders Meeting of the Company of 29 July 2020.

All members of the Management Board entered into service agreements - management contracts, referred to in the Act on the rules for determining the remuneration of persons managing certain companies of 9 June 2016.

The management service agreements signed by the Company stipulate that:

- during the term of the Service Agreement, Members of the Management Board are entitled to a fixed monthly salary and variable salary, being additional remuneration for the Company's financial year;
- in return for compliance with the non-compete obligations during the non-compete period, Members of the Management Board are entitled to compensation in the total amount equal to 0.5 of their fixed monthly salary multiplied by 6;
- if the Agreement is terminated, a Member of the Management Board is obliged to pass his or her

duties onto an authorised person(s) including a duty to appear in person on request of the Company, make requested explanations, provide information, documents and objects related to Agreement performance in a reliable manner.

- The Members of the Management Board are entitled to a severance pay in the amount of the three-fold monthly remuneration on condition that the Member of the Management Board holds their function for a period of at least 12 months prior to termination of the Agreement except for the following situations:
 - ✓ The Agreement is terminated, dissolved or amended as a result of change of the function held by the Member of the Management Board in the Management Board,
 - ✓ The Agreement is terminated, dissolved or amended as a result of appointment of the Member of the Management Board for the next term of office,
 - ✓ The Manager assumes the position of a member of the Management Board in a group company, within the meaning of Article 4.14 of the Act on the protection of competition and consumers of 16 February 2007,
 - ✓ Resignation from the function held.

In the event of violation of the non-compete obligation by members of the Management Board, they lose the right to receive any further instalments of the compensation and are obliged to pay liquidated damages to the Company.

All executive personnel have taken out, at their own expense, third-party liability insurance in case of non-performance or improper performance of the Management Contract.

Depending on the assumed levels of Key Performance Indicators (KPI), members of the Management Board may be awarded an annual bonus amounting to 50% of the basic salary received in the given year (variable remuneration).

The total annual remuneration of a Member of the Management Board of LW Bogdanka S.A.,

as presented in the table below, consists of four parts: fixed remuneration, variable part (i.e. bonus paid depending on the level of performance of the annual target), severance pay, and non-competition compensation.

Name and surname	The term of office in the Management Board in 2021	Total remuneration [PLN]
Artur Wasil	1 January – 31 December	PLN 936,000.00
Adam Partyka	1 January – 31 December	PLN 756,000.00
Artur Wasilewski	1 January – 31 December	PLN 810,000.00
Dariusz Dumkiewicz	1 January – 31 December	PLN 756,000.00

In 2021, on the basis of resolutions taken with respect to the performance of Management Goals and determining the amount of Variable Remuneration for 2020, the following amounts of the annual bonus were paid out:

Name and surname	Annual bonus for 2020 (paid in 2021)
Artur Wasil	PLN 312,000.00
Adam Partyka	PLN 252,000.00
Artur Wasilewski	PLN 270,000.00
Dariusz Dumkiewicz	PLN 252,000.00

In 2021 no former Member of the Company's Management Board received any non-competition compensation or severance pay.

Remuneration of individual Members of the Management Board paid in 2021

In 2021 the total gross remuneration paid to the Members (present and former) of the Management Board amounted to PLN 3,258,000, which represents an increase by 3.8% y/y (as compared to PLN 3,138,000 paid in 2020). For fulfilling their duties in the Company, the Members of the Management Board received remuneration under a Service Agreement.

In 2021, Members of the Management Board of the Company did not receive remuneration for holding functions in the subsidiaries of LW Bogdanka S.A.

Gross remuneration paid to the Company's proxies in 2021 amounted to PLN 2,657,000. For fulfilling their duties for the Company, the proxies only received remuneration under their employment contracts.

Remuneration of individual members of the Company's Management Board paid in 2021 on account of employment contracts

The Members of the Management Board are employed under management service agreements.

Changes in the rules of remuneration after 31 December 2021

There were no changes in the rules of remuneration after 31 December 2021. A detailed report on remunerations will be prepared on the basis of Article 90g.1 of the Act on Public Offering for 2020-2021 by the Supervisory Board and presented for the opinion of the General Shareholders Meeting.

Rules of appointment and remuneration; salary levels at the Supervisory Board

Rules of remuneration of the Company's Supervisory Board

Members of the Supervisory Board shall be entitled to monthly remuneration in the amount defined by the General Shareholders Meeting. The Company shall cover the costs incurred by the Members of the Supervisory Board in connection with performance of their duties, and in particular the costs of travel to take part in the Supervisory Board's meetings, board and accommodation, as well as costs incurred in connection with exercising individual supervision.

The remuneration of Supervisory Board members delegated to temporarily perform the duties of a Management Board member shall be defined by the Supervisory Board by way of a resolution.

If a Supervisory Board member delegated to temporarily perform the duties of a Management Board member receives the aforementioned remuneration, such Supervisory Board member shall not be entitled to remuneration for that period in respect of his/her Supervisory Board membership.

Remuneration of the Supervisory Board members was:

- defined by Resolution No. 5 of the Extraordinary General Shareholders Meeting of 7 March 2017; and
- amended by Resolution No. 30 of the Annual General Shareholders Meeting of 26 June 2017;
- and Resolution No. 4 of the Extraordinary General Shareholders Meeting of 17 October 2019.

In accordance with the adopted resolutions monthly remuneration of the members of the Supervisory

Board is a product of the calculation basis referred to in the Act on the rules for determining the remuneration of persons managing certain companies dated 9 June 2016, with due account taken of the applicable detailed provisions of law having impact on the amount thereof, and the following multiplier:

- for chairman of the Supervisory Board – 1.2
- for the remaining members of the Supervisory Board – 1.2

Moreover, in relation to the Enea Group regulations, the representatives of the Enea Group in the Supervisory Board of the Company are not entitled to remuneration.

In 2021 no changes were introduced to the basis of calculation of LW Bogdanka S.A. Supervisory Board members' remuneration, which was related to the introduction of the Act on specific solutions serving the implementation of the budget act for 2020, dated 13 February 2020 (Article 31).

In addition, by a Resolution of the Extraordinary General Shareholders Meeting of 29 July 2020, the *Remuneration policy for the members of the supervisory body and management body of LW Bogdanka S.A.* was introduced, also to clarify the rules of remuneration of the Company's Supervisory Board.

Amount of remuneration of individual members of the Supervisory Board paid out in 2021

In 2021 the total gross remuneration paid to the Members of the Supervisory Board for performing their duties at the Company amounted to PLN 528,800 and was 7.7% higher y/y (2020: PLN 490,900), including:

Other benefits and sources of remuneration

In 2021 Members of the Management Board and the Supervisory Board of LW Bogdanka S.A. did not receive any remuneration for the performance of duties at the subsidiaries.

No pension schemes apply in the Company, and no payments of a similar nature are made to former members of management and supervisory bodies.

Members of the Supervisory Board holding offices as at the day of publication of the Report:

Name and surname	The term of office in the Supervisory Board in 2021	Remuneration
Anna Chudek	1 Jan. - 31 Dec.	PLN 63,414.48
Marcin Jakubaszek	1 Jan. - 31 Dec.	PLN 63,414.48
Szymon Jankowski	1 Jan. - 31 Dec.	PLN 63,414.48
Dariusz Batyra	1 Jan. - 31 Dec.	PLN 63,414.48
Krzysztof Gigol	1 Jan. - 31 Dec.	PLN 63,414.48
Bartosz Roźnawski	1 Jan. - 31 Dec.	PLN 63,414.48
Grzegorz Wróbel	1 Jan. - 31 Dec.	PLN 63,414.48
Zbigniew Rak	1 June - 31 December	PLN 36,991.78
Bożena Knipfelberg	1 June - 31 December	PLN 0.00

The other Members of the Supervisory Board holding offices in 2021 but no longer on the Supervisory Board on the date of publication of this Report:

Name and surname	The term of office in the Supervisory Board in 2021	Total remuneration [PLN]
Iwona Gołden	1 January – 1 June	PLN 21,314.31
Michał Stopyra	1 January – 1 June	PLN 26,598.85



6

Corporate Governance

Corporate governance rules and rules departed from

In 2021, LW Bogdanka S.A. complied with the "Best Practice for WSE Listed Companies 2021" (hereinafter: "Best Practice 2021"), attached as an appendix to Resolution No. 13/1834/2021 of the Supervisory Board of Giełda Papierów Wartościowych w Warszawie S.A. of 29 March 2021. The Best Practice 2021 is available on the Warsaw Stock Exchange's website dedicated to corporate governance – <https://www.gpw.pl/dobre-praktyki>

As the Prime Minister did not specify best practices in terms of corporate governance as referred to in Article 7.3 of the Act on the Principles of Management of State-Owned Property in relation to best practices in 2021, the Company did not apply other practices apart from those pursuant to Code of Best Practice for WSE Listed Companies.

Corporate governance rules departed from

The intention of the Company's Management Board is to apply all corporate governance rules. However, as to comply with some of the rules LW Bogdanka S.A. would have to incur excessive obligations, possibly above the potential benefits arising from market needs, the Company decided to depart from the application of certain corporate governance rules in 2021, as specified below.

The Company did not apply the following principles of the "Best Practice 2021": Part 2. Management Board, Supervisory Board - 2.1.

"Companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring

systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%."

Comment:

The above principle does not apply due to the specificity of the industry in which the Company operates. Although diversity policy principles have not been implemented by the Company, the Company, when making decisions related to human resources, acts in accordance with its current business needs, paying special attention to the expertise, education and professional experience of candidates.

Part 2. Management Board, Supervisory Board - 2.2.

"Decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1."

Comment:

As for principle 2.1, the Company does not apply this principles because of the specific profile of the industry in which it operates.

Part 2. Management Board, Supervisory Board - 2.11.6.

"In addition to its responsibilities laid down in the legislation, the supervisory board prepares and presents an annual report to the annual general meeting once per year. Such report includes at least the following: ... information regarding the degree of implementation of the diversity policy applicable to the management board and the supervisory board, including the achievement of goals referred to in principle 2.1."

Comment:

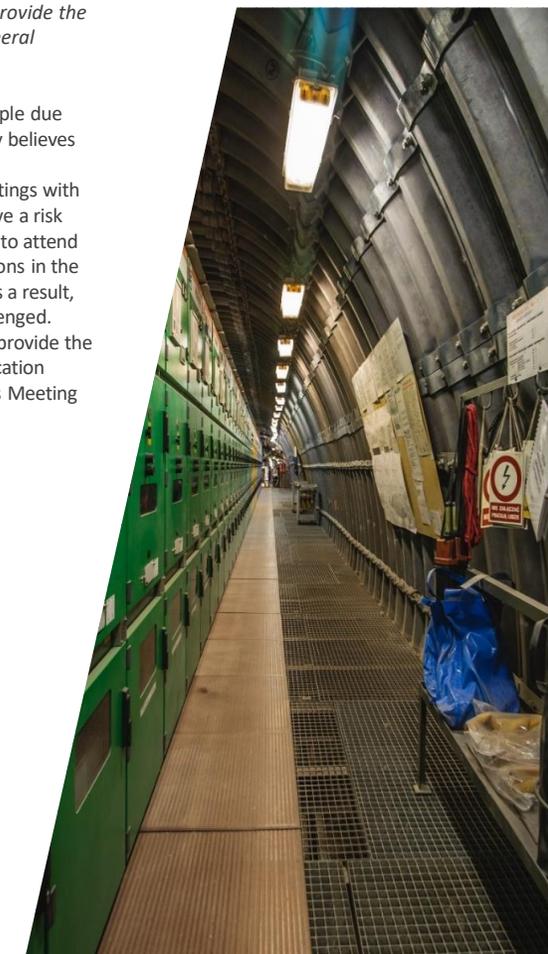
The Company does not apply a diversity policy for its Management Board and Supervisory Board because of the specific profile of the industry in it operates.

Part IV. General Meeting, Shareholder Relations – 4.1

"Companies should enable their shareholders to participate in a general meeting by means of electronic communication (e-meeting) if justified by the expectations of shareholders notified to the company, provided that the company is in a position to provide the technical infrastructure necessary for such general meeting to proceed."

Comment:

The Company has surrendered the above principle due to the technical and legal risk that the Company believes to exist. The Company believes that the option to participate in the General Shareholders Meetings with the use of electronic communication may involve a risk of incorrect identification of people authorized to attend the General Shareholders Meeting and disruptions in the course of the General Shareholders Meeting. As a result, the resolutions adopted could possibly be challenged. The Company does not exclude a possibility to provide the Shareholders with bilateral real-time communication during the sessions of the General Shareholders Meeting in the future.



Diversity policy

The Company does not maintain any formal diversity policy for its administrative, management and supervisory bodies. The rules for appointing the Company's Management Board and Supervisory Board members are defined in the Articles of Association. While appointing its governing bodies, the Company lays great emphasis on ensuring versatility and diversity of education, age and professional experience of the candidates, but does not discriminate against anyone on the grounds of sex, age, origin or other factors which do not affect the assessment of the candidate's suitability for a given position. Appropriate background for the job is a factor which plays a decisive role. Irrespective of the above, the Company follows a diversity policy on candidate selection. LW Bogdanka S.A.'s diversity policy is aimed at exploiting employee potential, using their skills, experience, talents and qualifications in the atmosphere of respect and support. Such an approach applies to all of the Company's employees, thereby improving the Company's operations and building its strong market position. We believe that with such a diversity policy in place the Company improves work efficiency, builds trust and prevents discrimination, thus creating the atmosphere of mutual respect. The issue of diversity is regulated in the Company's Diversity Policy, the Articles of Association, the Work Rules, the Code of Ethics, the Personnel Policy, and the Collective Bargaining Agreement. Pursuant to the "Code of Ethics," any forms of discrimination, both direct and indirect, abuse or mobbing are absolutely inadmissible and unacceptable at LW Bogdanka S.A. Under the "Work Rules," one of the key obligations of the employer is to prevent discrimination at the workplace, especially on the grounds of sex, age, disability, race, religion, nationality, political beliefs, membership in trade unions, ethnic origin, religion and sexual orientation, as well as on the grounds of fixed-term or permanent employment contracts, or full-time

or part-time employment. A policy of equal employee development opportunities is a key element of the strategy pursued by the Company. The Personnel Policy specifies the rules for recruiting employees. When searching for the best candidates, the Company looks for knowledge, professional qualifications, personal suitability and professional experience. We appreciate the value of human capital and that is why we pay great attention to the recruitment process. In the process of recruiting and selecting candidates, we follow professional criteria. We choose candidates based on the requirements specified for particular jobs. Under the "Collective Bargaining Agreement," we are obliged to ensure equal opportunities for effective and well-organized work so that the remuneration an employee receives corresponds to the type of work they perform and is related to the quality and effectiveness of that work. The criteria for determining remuneration are designed to guarantee fair pay for work performed. Remuneration for work is established at an amount corresponding to the type of work performed and employee qualifications required in order to do the work with account taken of the amount and quality of the work done. LW Bogdanka S.A.'s key personnel is selected on the basis of objective technical criteria with due regard for diversity. The Company ensures equal opportunities for career development and advancement. Activities carried out by LW Bogdanka S.A. as regards equal opportunity rules:

- ensuring that all the employees are familiar with the Code of Ethics and constantly promoting the standards of ethical conduct at the mine (company website, boards, roll-ups, posters, notifications, OHS gazette, etc.);
- training sessions regarding discrimination and harassment for the management staff
- equal access for women to the decision-making processes, promotions, pay rises and management positions
- using a non-discriminatory remuneration system
- equal access to training for all employees

- dialogue with employee representatives (trade unions)
- regular internal communication with all the employees
- pension schemes
- support for the families of the employees in need (the Solidary Miners Foundation)
- equal support for local initiatives.

LW Bogdanka S.A. – Management Board as at the end of 2021

	2021
Total	4
Women	0
Men	4
Below 30 years	0
Between 31 and 40 years	0
Between 41 and 50 years	3
Over 50 years	1
Foreigners	0

LW Bogdanka S.A. – Supervisory Board as at the end of 2021

	2021
Total	9
Women	2
Men	7
Below 30 years	0
Between 31 and 40 years	0
Between 41 and 50 years	6
Over 50 years	3
Foreigners	0

The main characteristics of the internal control and risk management systems used by the issuer with regard to the process of preparation of separate and consolidated financial statements

LW Bogdanka S.A. draws up separate and consolidated financial statements in accordance with generally applicable provisions of law and internal regulations. As part of the internal control and risk management systems, the process of drawing up the Group's financial statements is governed by a number of internal procedures which are to ensure effective and efficient supervision, as well as identification and elimination of potential risks. The solutions adopted are based on the Company's Organisational Rules, document workflow guidelines, accounting policy and the scope of responsibility and authorisation of finance and accounting personnel. Further, the self-audit requirement is kept in place for all employees, as well as the functional supervision obligation for all levels of management, as part of their co-ordination and supervisory duties. Control mechanisms intended for implementation of the following control aims have been implemented in LW Bogdanka S.A.:

- rights and obligations – distribution of tasks among employees enables early detection of errors of abuses
- reliability and completeness – all operations and transactions are properly carried out and recorded from the beginning to the end
- promptness – operations are performed and recorded in registers or software applications in due time, as provided by the regulations
- valuation and allocation – assets and liabilities are properly valued, and profits and costs are disclosed in their proper amounts
- presentation and recognition – assets, liabilities, profits and costs and transactions are properly

classified, described and recognised in appropriate documents

- monitoring and reporting – reports containing information and data concerning carried out operations are promptly submitted to the Management Board of the Company
- confidentiality – information and data are available only to the persons for whom they are intended by virtue of functions and duties of such persons
- availability – systems and software applications are available in time required for carrying out and recording operation and transaction
- compliance – the process and its supporting systems comply with the requirements resulting from legal regulations, standards and norms.

The financial statements' reliability is ensured by data extracted from the accounting ledgers which contain entries based on correct source documentation. Comprehensive reporting covers all applicable reporting formats. The manner of data presentation is to guarantee clarity of the financial statements (transparency and lucidity of the data), the relevance of information covered by the financial statements and data comparability.

The accounting records of LW Bogdanka S.A. are maintained using the FINANSE IT system, which is part of the INTEGRA Integrated Management System. The process of drawing up the Company's financial statements is supervised by the Vice-President of the Management Board for Economic and Financial Affairs, in charge of the finance and accounting personnel. Moreover, the reliability of the financial statements can be attributed to the experience and qualifications of the finance and accounting personnel, supervised by the Company's Chief Accountant.

LW Bogdanka S.A. keeps its accounting books and prepares its financial statements on the basis of International Financial Reporting Standards and related interpretations published as Regulations of the European Commission, as adopted by the European Union ("EU IFRS").

In compliance with the provisions of Directive 2004/109/EC dated 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market ("Issuer") and in relation to the Regulation of the European Commission No. 2019/815 dated 17 December 2018 with regard to regulatory technical standards on the specification of a single electronic reporting format, the Company as the Issuer is obliged to prepare financial statements in compliance with the European Single Electronic Format (ESEF) for the financial year starting on 1 January 2020. At present, this obligation applies to consolidated financial statements, and the statements covered by the obligation to comply with the ESEF requirements are the annual consolidated financial statements of the Lubelski Węgiel Bogdanka Group for 2020.

Under the above regulations the issuers are obliged to prepare annual financial statements in the XHTML format, and in the event that the annual financial statements include the consolidated financial statements prepared in accordance with the IFRS – which is the case of LWB – the issuers must embed XBRL tags into these statements; currently the tagging requirement refers to basic components of the financial statements, i.e. statement of financial position, profit and loss account and the statement of comprehensive income, statement of changes in equity and statement of cash flows. Considering the above, the 2021 financial statements of the Lubelski Węgiel Bogdanka Group, in which LWB is the Parent, have been prepared in compliance with the ESEF requirement.

The Company keeps up to date with the changes to legal provisions and external regulations governing the reporting requirements. The body that supervises the financial reporting process at the Company and cooperates with the independent auditor is the Audit Committee, appointed by the Supervisory Board of the Company. Furthermore, pursuant to Article 4a of the Accounting Act of 29 September 1994, the Supervisory Board's responsibilities include ensuring that the Company's financial statements and the report on the Company's operations comply with all legal

requirements.

Another vital element is also the Internal Audit Department, which operates under the "Internal Audit Regulations." The internal control system of LW Bogdanka S.A. is a set of procedures and controls designed and implemented to obtain reasonable assurance that the objectives defined by the LW Bogdanka Group are accomplished. The internal control system of LW Bogdanka S.A. is based on the principle of independence and covers all of the Company's processes, including areas that directly or indirectly affect the correctness of its financial statements.

In order to verify the compliance of data presented in financial statements with the facts and entries in the accounting records maintained by the Company, financial statements are audited by an independent auditor, who issues an appropriate audit report.

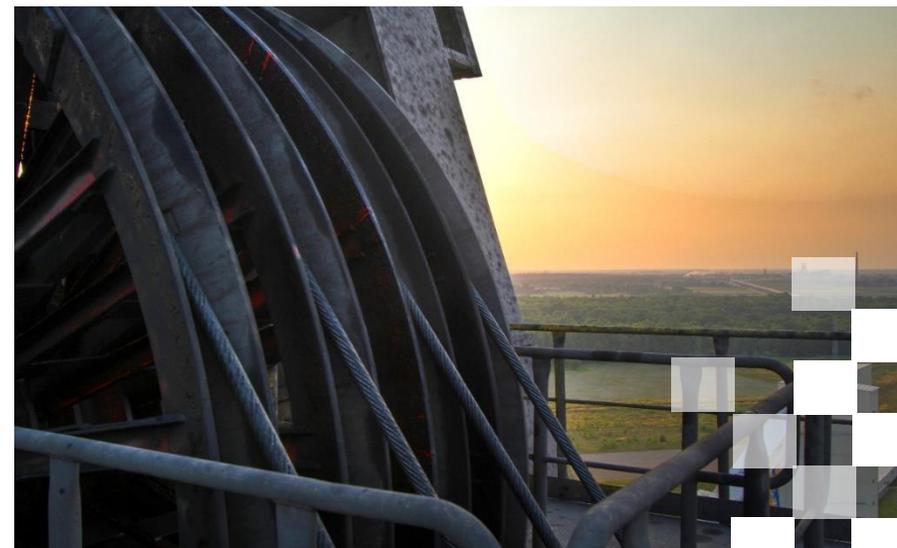
The auditor is selected by the Company's Supervisory Board from among reputable audit firms in accordance with recommendations submitted by the Audit Committee, which, among other things, pays due attention to ensuring the impartiality and independence of the auditor in the course of performance of entrusted tasks.

The adopted rules of procedure with regard to drawing up the financial statements and the adopted "Policy of selecting an audit firm to audit LW Bogdanka S.A., Policy of performing permitted non-audit services and Procedures for the selection of an audit firm" are to guarantee compliance with legal requirements and the factual circumstances, as well as timely identification and elimination of potential risks, so as to prevent them from affecting the reliability and correctness of the financial data presented.

Shareholders directly or indirectly holding substantial shareholdings at the Company

Shareholder	22 March 2022	
	Number of shares/ Number of votes at the GSM	Share in the share capital (%)
The Enea Group*	22,448,834	66.0%
Other	11,564,756	34.0%
Total	34,013,590	100.0%

* according to a notification received on 30 October 2015, Enea S.A. holds 64.6% of votes, Enea S.A. jointly with its subsidiary, Enea Wytwarzanie, holds 66.0% of votes (for more information see Current Report No. 39/2015).



Shares and shareholding

A detailed description of the share capital structure, shareholding structure, changes in its structure in 2021 as well as possible changes in the structure is described in Chapter 4. Shares in joint stock companies and shareholders.

Owners of all the securities which entitle to special control rights

The Company has not issued any securities which would entitle shareholders to special control rights.

Restrictions on exercising the voting right

The Articles of Association of the Company do not provide for any restrictions on exercising the voting right at the General Shareholders Meeting of LW Bogdanka S.A.

Restrictions on transferring ownership of the Company's securities

The Articles of Association of the Company do not provide for any restrictions on transferring ownership of the Companies' securities.

Description of the rules governing the amendments made to the Company's Articles of Association

Amendments to the Articles of Association of the Company shall be adopted by the General Shareholders Meeting and entered into the register of entrepreneurs in compliance with the Articles of Association of LW Bogdanka S.A. as well as provisions of the Commercial Companies Code. If the Articles of Association are planned to be significantly amended, the Management Board will prepare a new uniform text of the Articles of Association, along with a list of provisions to be amended or added, and attach the draft to the announcement convening the General Shareholders Meeting which is to amend the Articles of Association.

After the General Shareholders Meeting amends these Articles of Association, the Management Board shall draft a uniform text of the amended Articles of Association and shall submit it for approval by the Supervisory Board.

Moreover, in the event of an amendment to the Articles of Association, the *Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and the conditions for deeming equivalent information required by provisions of law of a country which is not a Member State* applies, which imposes the obligation to publish, in the form of a current report, information concerning an amendment, planned or implemented, to the articles of association.

Governing bodies of LW Bogdanka S.A.

Management Board

Composition

Pursuant to the Articles of Association of the Company, the Management Board shall be composed of three to seven members, including the President of the Management Board and other members of the Management Board.

At present, the Management Board of LW Bogdanka S.A. is composed of five persons.

The Management Board, as at the day of this Report, is presented in Chapter 5 - Governing Bodies of the Group, page 74.

Appointing and dismissing members of the Management Board

In accordance with Articles of Association, members of the Management Board or the entire Management Board are appointed and removed from office by the Supervisory Board. When appointing the Members of the Management Board, the Supervisory Board complies in particular with the rules set out in Article 17.2-17.3 and Article 19.4-19.5 of the Company's Articles of Association and the rules provided for in generally applicable laws.

Rules governing the appointment and dismissal of the President and Vice-Presidents of the Management Board of the Company are governed by the Articles of Association of LW Bogdanka S.A. Members of the Management Board are appointed for a joint term of office which lasts three subsequent years.

Mandates of the Management Board members arise when members are appointed to their function, and expire on a date on which the General Shareholders Meeting approves the financial statements for the last full financial year in which the function is performed, or upon dismissal, resignation or death of the Management Board member.

In compliance with the Company's Articles of Association currently in effect, each Management

Board member may be dismissed or suspended from office by the Supervisory Board.

Description of operations and authorisations

In compliance with the Company's Articles of Association the Management Board manages the Company's operations and represents the Company in relations with third parties.

The operations of the Management Board shall be governed by the Rules of Procedure adopted by the Management Board and approved by the Supervisory Board. During the execution of their duties, members of the Management Board shall act in accordance with the provisions of the Company's Articles of Association and the principles of good practice, which the Company undertook to apply.

Any matters not reserved for the Supervisory Board or the General Shareholders Meeting by law or by the Company's Articles of Association shall fall within the scope of powers of the Management Board.

Individual members of the Management Board are in charge of management of the areas of the Company's operations which are entrusted to them, and their activities are coordinated by the President of the Management Board.

Any matters which fall outside the scope of the Company's ordinary course of business shall require a resolution of the Management Board.

In particular, without prejudice to the powers of the other governing bodies of LW Bogdanka S.A., in particular the following issues require a resolution of the Management Board:

- adoption of the Rules of Procedure of the Management Board;
- adoption of the Organisational Rules of the Company's enterprise;
- creation and liquidation of the Company branches;
- appointment of proxies and attorneys, with the exception of attorneys in litigation, with a proviso that a consent of all Management Board members is required in order to appoint a proxy;
- adoption of a material and financial plan, including an investment plan;
- the Company granting guarantees, suretyships and avals;

- issuing and accepting promissory notes with a net value exceeding PLN 200,000 (two hundred thousand zloty);
- carrying out other legal transactions
- that result in assuming a liability or acquiring, disposing of, or encumbering non-current assets, having a total net value higher than PLN 200,000 (two hundred thousand zloty);
- any matters which are submitted by the Management Board for consideration by the Supervisory Board, the General Shareholders Meeting, or the ENEA Group's Committees.

The Company's Management Board pays due attention to transparency and efficiency of the management system of the Company and maintenance of its affairs in compliance with provisions of law and good practice.

The Management Board provides the Supervisory Board with regular and exhaustive information on any material issues concerning the activities of LW Bogdanka S.A. and on the risks connected with the Company's operations and the methods used for management of such risks.

Statements of intent may be made on behalf of the Company by two members of the Management Board acting jointly or by a member of the Management Board acting jointly with a proxy. The appointment of a proxy shall require a resolution of the Management Board, adopted unanimously by its members. The commercial power of representation may be recalled by any member of the Management Board.

Information about meetings and resolutions of the Management Board

In 2021 the Management Board held 68 minuted meetings and adopted a total of 1,590 resolutions. Additionally, 11 resolutions were adopted by the Management Board through the electronic mail. In 2021 the total number of adopted resolutions was 1,601.

The decisions taken by the Management Board in the form of resolutions resulted from the application of the provisions of the Commercial Companies' Code, the Articles of Association, the Rules of Procedure of the Supervisory Board, the Rules of Procedure of the Management Board, the principles set forth in the resolutions of the General Shareholders Meeting, the need to take decisions whose scope went beyond the Management Board's ordinary management and at the request of individual Management Board members.

Information on powers of proxy granted and revoked

In 2021 the Management Board of the Company did not grant or revoke any powers of proxy.

Dividend policy

LW Bogdanka S.A. wants to be a dividend-paying company in medium and long run and in the future its Management Board intends to request the General Shareholders Meeting to pay as dividends up to 50% of the net profit shown in the Company's separate financial statements, prepared in accordance with EU IFRS.

In the light of rapid changes in both Polish and global coal markets, it is a priority for the Management Board to ensure financial and liquidity security for the Company.

Therefore, the dividends recommended each time by the Management Board will depend on:

- current market situation
- generated operating cash flows
- implementation of planned development investments,
- possibilities and conditions of obtaining debt financing.

The above dividend payment policy will be reviewed periodically, and future dividend payments will be made in accordance with the decisions of the General Shareholders Meeting.

Governing bodies of LW Bogdanka S.A.

Management Board

Tasks and obligations of the members of the Management Board in 2021

In accordance with the Company's Organisational Rules:

President of the Management Board

- is in charge of general management and co-ordination of the Company's business and exercises supervisory powers over entities related by equity with the Company through representatives appointed to Supervisory Boards
- represents the Company in relations with third parties
- presides over the Company's Management Board, runs its work and supervises the execution of Management Board resolutions
- directly supervises the performance of assignments by subordinate organisational units, whose scope of activity covers:
 - a) company organisation
 - b) supporting the operations of the Company's governing bodies
 - c) privatisation, Company restructuring
 - d) internal structural and ownership transformations
 - e) providing information and reports to investors, shareholders and stock exchange institutions
 - f) implementing the LW Bogdanka S.A.'s strategy and the Company's long-term plans, as well as implementing strategic management and project management at the Company
 - g) supervision over tasks related to the

- h) maintenance and enhancement of the Compliance system
- i) internal audit in the Company
- j) maintenance and development of production capacities (future plans with regard to the development and modernisation of the production process)
- k) control over materials and machine management
- l) conducting chemical and physical analysis and inspections of the work environment, as well as sampling the quality of coal dust kept in the warehouse
- m) analyzing technical advancements and implementing state-of-the-art and innovative solutions
- n) market analyses.
- o) coordinating activities of the Transformation Bureau

Moreover, the responsibilities of the President of the Management Board include any and all issues stipulated in the Rules of Procedure of the Management Board and the resolutions of the Company's Management Board.

The President of the Management Board shall perform his duties in compliance with the laws in force, the provisions of the Company's Articles of Association, the Company's Bylaws and the resolutions of the Management Board, with due diligence of a prudent merchant.

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

The Vice-President of the Management Board, Employee and Social Affairs, organizes and supervises the Company's operations and in particular oversees the performance of tasks by reporting organizational units in the following areas:

- HR policy and employee matters
- payroll and insurance policies

- occupational health and safety, training courses
- current records archive and general secretariat
- matters of defence
- IK protection and security
- social matters
- ethics
- policy of communication and cooperation with the mass media
- promotion and advertisement activities
- corporate social responsibility and sustainable development
- cooperation with trade union organisations
- administrative and economic policy
- personal data protection
- and also, on the basis of Resolution of the Management Board No. 598/IX/2016 of 14 June 2016 (in accordance with the Act on Protection of Inside Information of 5 August 2010), protection of inside information.

Vice-President of the Management Board, Development

The Vice-President for Development organises and supervises the Company's operations in the following areas:

- innovation, research and implementation
- planning and technical analyses
- risk management
- working together with Management Board members on the development of growth concepts, long-term economic plans and development production plans
- sales and wholesale shipping of coal
- monitoring the sales of trade coal and the quality of coal output, as well as the operations of the coal processing plant
- coal warehousing
- ownership supervision and capital investments
- project management

- supervision over the Rail Transport Department
- investment planning and implementing
- supervision over the ERM process at the Company (corporate risk management)

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

The Vice-President for Economic and Financial Affairs holds responsibility for the Company's operations in the following areas:

- managing the Company's finances
- economic and financial analyses
- reporting and statistics
- budgeting and controlling
- supervising Company value management
- supervising financial and accounting services
- supervising the accountancy and settlements with business partners
- economic effectiveness of investment projects
- developing the rules for managing short-term securities
- computerisation of the Company;
- inventory.
- cost estimation
- planning and monitoring of the processes – procurement, investments, logistics
- supervision over the Procurement Department

Governing bodies of LW Bogdanka S.A.

Supervisory Board

Appointment and removal from office of the Supervisory Board members

The rules concerning appointment and removal of members of the Supervisory Board of the Company are governed by the Articles of Association of LW Bogdanka S.A.

In accordance with the Articles of Association of the Company, the Supervisory Board consists of five to nine members. The members of the Supervisory Board are appointed and removed from office by the General Shareholders Meeting for a joint term of office of three years, with a proviso that the State Treasury represented by the Minister of State Assets is entitled to appoint one member of the Supervisory Board. Members of the Supervisory Board may be removed from office by the General Shareholders Meeting at any time.

Should a Board Member resign from their function, he or she shall submit a written statement of resignation to the Management Board and provide the same for the attention of the Supervisory Board.

The mandates of the Supervisory Board Members expire not later than on the date when the General Shareholders Meeting approves the report on operations and the financial statements for the last full financial year when the Supervisory Board Members performed their function.

Composition

The Supervisory Board of LW Bogdanka S.A. is appointed for a three-year joint term of office. The members of the Supervisory Board of the Parent are appointed and removed by the General Shareholders Meeting.

As at the day of submitting the Report, the composition of the Supervisory Board of the Company was presented in Chapter 5 - Governing Bodies of the Group, page 77.

Description of activities

The Supervisory Board shall exercise continuous supervision over the Company's activities in all areas of its operations. The Supervisory Board adopts resolutions in matters provided for in the Commercial Companies Code and the Articles of Association of the Company.

The powers of the Supervisory Board, apart from those resulting from applicable laws, include the following:

- assessment of the Directors' Report on the Company's operations, the financial statements for the preceding financial year, the Directors' Report on the Group's operations, and the consolidated financial statements of the Group, if such reports are prepared
- selection of a chartered auditor to audit annual financial statements and consolidated financial statements of the Group
- assessment of motions of the Management Board regarding the distribution of net profit or covering of net losses
- submission to the General Shareholders Meeting of an annual written report on the results of the assessments referred to in items 1 and 3
- adopting rules laying down the detailed procedure followed by the Supervisory Board
- adoption of the uniform text of the Company's Articles of Association prepared by the Management Board
- granting consent for making an advance payment to the shareholders towards an anticipated dividend
- approving the Rules of Selecting and Dismissing Supervisory Board Members Selected by the Company's Employees
- appointing and dismissing members of the Management Board, including the President of the Management Board
- determination of the remuneration of Management Board members
- suspending the Management Board members from office
- delegation of the Supervisory Board members, for a period of up to three months, to temporarily

perform the duties of Management Board members who have been removed from office, resigned from office or are unable to perform their duties for another reason

- granting permission to Management Board members for accepting positions on the governing bodies of other entities
- approval of material and financial plans, long-term development plans, and area strategies adopted by the Management Board
- granting consent for purchasing and disposing of non-current assets the value of which exceeds PLN 20,000,000
- representing the Company in agreements and disputes between the Company and the Management Board members
- granting consent for the Company to enter into a significant agreement with a shareholder holding at least 5% of the total vote in the Company or a related entity. A significant agreement within the meaning of the previous sentence shall be an agreement whose value, on the date of the agreement, exceeds 10% of the value of the Company's consolidated equity established on the basis of the latest published financial statements of the Company. The above obligation does not apply to typical transactions and transactions executed on an arm's length basis within the Company's operating activities with entities that form part of the Group
- granting consent to enter into:
 - a) contracts for legal services, marketing services, public relations and social communication services, and management consulting services, if the amount of the expected total annual remuneration for those services, including the amounts specified in both that contract and other contracts with the same entity, exceeds PLN 500,000 net,
 - b) an amendment to a contract for legal services, marketing services, public relations and social communication services, and management consulting services which raises the remuneration above PLN 500,000 net annually
 - c) a contract for legal services, marketing services, public relations and social communication

services, and management consulting services which does not stipulate the maximum remuneration

- d) a donation agreement or other agreement with a similar effect the value of which exceeds PLN 20,000, or 0.1% of total assets, within the meaning of the Accounting Act of 29 September 1994, established on the basis of the last approved financial report
- e) a debt release agreement or other agreement with a similar effect the value of which exceeds PLN 50,000, or 0.1% of total assets, within the meaning of the Accounting Act of 29 September 1994, established on the basis of the last approved financial report
- providing opinions on reports, presented by the Management Board to the General Shareholders Meeting, on hospitality expenditure, legal services expenditure, marketing services expenditure, expenditure on public relations and social communication services as well as management consulting services, as well as reports on the application of best practice, as referred to in Article 7.3 of the Act on State Property Management Rules of 16 December 2016 along with the Directors' Report on Operations of the Company for the previous financial year.
- providing opinions on any issues presented by the Management Board to the General Shareholders Meeting.

The operating procedure of the Supervisory Board, including the procedure for convening Supervisory Board meetings, shall be defined in detail in the Rules of Procedure of the Supervisory Board adopted by the Supervisory Board.

The activity of the Board are also carried out in conformity with the principles of Good Practice for Companies Listed on the Warsaw Stock Exchange. The Board may appoint standing and temporary committees from among its members. The Audit Committee is the standing committee at the Supervisory Board.

Governing bodies of LW Bogdanka S.A.

The Audit Committee

Audit Committee

The Audit Committee, as a collective advisory and opinion-giving body, supported the activities of the Supervisory Board in 2021.

The Committee shall be composed of at least three members appointed by the Board from among its members for a period corresponding to the Board's term of office.

In 2021 the Audit Committee operated in the following compositions:

Composition of the Audit Committee from 1 January to 9 July 2021

Krzysztof Gigol ¹⁾	Chairman
Anna Chudek ¹⁾	Member
Iwona Golden ²⁾	Member
Michał Stopyra ^{1) 3)}	Member

Composition of the Audit Committee from 9 July 2021

Krzysztof Gigol ¹⁾	Chairman
Anna Chudek ¹⁾	Member
Bożena Knipfelberg ²⁾	Member
Zbigniew Rak ³⁾	Member
Grzegorz Wróbel ¹⁾	Member

¹⁾ independent member within the meaning of Article 129.1.3 of the Act on Statutory Auditors, Audit Firms and Public Regulators of 11 May 2017,

²⁾ a member having knowledge and skills with respect to accountancy or auditing financial statements,

³⁾ a member having knowledge and skills regarding the industry in which the issuer operates.

The manner of how the knowledge and skills that are referred to in item 3) are required is discussed in Chapter

5. Composition of the Company's Supervisory Board as at 22 March 2022. Membership in the Committee shall terminate along with the termination of the membership in the Supervisory Board, however a Committee member may be at any time by a resolution of the Supervisory Board removed from the composition of the Committee. A Committee member may also resign from membership in the Committee at any time filing a resignation to the Chairman of the Committee. In the case of the Committee Chairman he shall file his resignation to the Chairman of the Supervisory Board. The Chairman of the Committee shall be elected by the Supervisory Board. The Chairman of the Committee shall direct and supervise the Committee's work, in particular the organization and course of meetings of the Committee. The Chairman of the Supervisory Board may belong to a committee of the Supervisory Board, but cannot act as Chairman of the Audit Committee.

Meetings of the Committee shall be convened by the Chairman or, in his/her absence, a Board member designated by the Chairman. The first Committee meeting shall be convened by the Chairman of the Supervisory Board or a Board member nominated by him.

Notifications of meetings of the Committee shall be subject to the provisions on notifications of Board meetings. Committee meetings shall be held as necessary, and one meeting shall be held before the Company publishes its financial statements. Committee resolutions shall be adopted by an absolute majority of votes. In the event of an equal number of votes, the Chairman of the Committee shall have the casting vote.

The resolutions of the Committee shall be adopted in the same manner as the resolutions of the Supervisory Board.

The Committee shall provide the Supervisory Board with information about its meetings.

The Chairman of the Committee shall submit resolutions, requests and reports to the Board relating to matters on the Board's agenda, as well as other requests, including requests regarding the need to prepare, for the Committee's needs, an expert opinion or an opinion on the scope of the Committee's tasks or to employ

an advisor.

The terms and conditions of the Rules shall apply as appropriate to any matters not covered by the regulations relating to the Supervisory Board committees.

The Audit Committee held 5 meetings in 2021 and adopted 12 resolutions.

Information on appointing a chartered auditor

In order to have the Company's financial statements and the Group's consolidated financial statements reviewed, having conducted a tender, the Supervisory Board, following a recommendation submitted by the Audit Committee, appointed PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. with registered office in Warsaw (hereinafter: PwC) as auditor.

The abovementioned entity was selected for the period of 2 years.

In 2021, in addition to the audit of the annual financial statements of the Company and the consolidated financial statements of the Group, as well as the reviews of interim financial statements, PwC performed:

- other assurance services (audit and review of a group package for the purposes of ENEA),
- review of the Group's consolidated financial statements for 2021 prepared in the XBRL format,
- assessment of the Report on remuneration paid to the Management Board and the Supervisory Board of the Parent for 2020-2021,
- review of the correctness of calculations regarding the excise tax indicator for 2020,

At the time of performance of the above activities, PwC, as an entity authorised to audit financial statements, as well as chartered auditors performing auditing activities for LW Bogdanka S.A. were independent as referred to in Articles 69-73 of the Act on Statutory Auditors, Audit Firms and Public Regulators of 11 May 2017.

Key assumptions of the Audit Firm selection policy

The factors taken into account in selecting an Audit Firm include, in particular, the experience of the audit team

in conducting audits of companies, its competencies, a financial criterion and human resources. Selection is made in observance of the principle of impartiality and independence of the Audit Firm, in accordance with the laws on mandatory rotation of Audit Firms and key statutory auditors, mandatory waiting periods, and the results of reviews of Audit Firms contained in an annual report published by the Polish Financial Supervision Authority. The first statutory audit contract is concluded with an Audit Firm for a period of not less than two years, with the possibility of its extension for successive periods of not less than two years. The maximum duration of continuous statutory audit engagements of the same Audit Firm may not exceed ten years. An Audit Firm may be re-engaged after at least four years of the end of its previous statutory audit.

Key assumptions of a Policy for providing permitted non-audit services by an Audit Firm

LW Bogdanka S.A. and its subsidiaries may avail of permitted services (defined in accordance with Article 136 of the Act on Statutory Auditors) provided by an Audit Firm that conducts an audit, unless they refer to tax policy of the companies. Permitted non-audit services may be rendered by an Audit Firm provided that it has been previously approved by the Audit Committee, after an assessment of any threats to and safeguards of the independence of the Audit Firm, as referred to in Articles 69 to 79 of the Statutory Auditors Act. Additionally, in the event that the Audit Firm provides permitted non-audit services for a period of at least three consecutive financial years, then the fee for those services shall be limited to 70% of the average of the fees paid in the last three consecutive financial years for the statutory audit(s) of a company and, where applicable, its subsidiaries and the consolidated financial statements of that group of undertakings. In the case of prohibited services, i.e. services other than permitted services, it is prohibited to provide them, directly or indirectly, to LW Bogdanka S.A. and its subsidiaries by the Audit Firm which performs the audit, in the period from the beginning of the audit period until the issue of an audit report.

General Shareholders Meeting

Manner of operations of the General Shareholders Meeting and its main powers, as well as description of rights of the shareholders and the manner for their exercise, in particular the rules of operation under the Rules of Procedure of the General Shareholders Meeting

The General Shareholders Meeting of LW Bogdanka S.A. holds annual or extraordinary sessions based on provisions of the Commercial Companies Code, the Company's Articles of Association and the Rules of Procedure of the General Shareholders Meeting of LW Bogdanka S.A.

Convening a General Shareholders Meeting

The General Shareholders Meeting is convened by the Management Board, subject to the provisions of the Commercial Companies Code and the Company's Articles of Association. The General Shareholders Meeting is convened by way of publishing a relevant announcement at the Company's website, in a manner specified for announcing information by public companies, with a proviso that such an announcement should be published at least twenty-six days before the proposed date of the General Shareholders Meeting.

Shareholders rights

The General Shareholders Meeting may adopt resolutions only with respect to the issues included in the agenda, subject to the provisions of Article 404 of the Commercial Companies Code. A shareholder or shareholders representing at least one-twentieth of the share capital may request that certain matters be placed on the agenda of the General Shareholders Meeting. In order to exercise their right, the shareholders entitled to request that certain matters be placed on the agenda of the General Shareholders Meeting, should submit a request to the Company's Management Board, in writing

or in an electronic form, along with a justification and a draft resolution regarding the proposed item of the agenda, not later however than twenty-one days before the scheduled date of the General Shareholders Meeting.

The Management Board announces the changes in the agenda of the next General Shareholders Meeting introduced at the request of the shareholders; the announcement shall be made promptly, however not later than eighteen days before the scheduled date of the General Shareholders Meeting. The announcement shall be made in a manner appropriate for the convening the General Shareholders Meeting.

Right to participate in the General Shareholders Meeting

Only persons who are shareholders of the LW Bogdanka S.A. sixteen days before the date of the General Shareholders Meeting (i.e. the date of registering participation in the Meeting) are entitled to participate in the Meeting with the right to vote.

Pledges and usufructuaries who are entitled to vote have the right to participate in the General Shareholders Meeting of a public company provided that limited rights in rem established for them are recorded in a securities account on the date participation in the General Meeting is registered. Further, members of the Company's Management Board and the Supervisory Board have the right to participate in the General Shareholders Meeting. The chartered auditor who audits the Company's financial statements and the Company's chief accountant are also entitled to participate in the General Shareholders Meeting convened to discuss financial affairs of the Company.

Experts and guests invited by the body which convenes a particular General Shareholders Meeting can also participate in the Meeting.

A shareholder can transfer its shares in the period between the date of registering participation in the General Shareholders Meeting and the date when

the meeting ends.

In accordance with the Rules of the General Shareholders Meeting of LW Bogdanka S.A., members of the Supervisory Board and the Management Board and the Company's auditor should, within the limits of their powers and to the extent necessary to resolve matters being discussed by the General Shareholders Meeting, provide participants in the General Meeting with clarifications and information relating to the Company.

Right to participate in the General Shareholders Meeting through a proxy

Shareholders can participate in the General Shareholders Meeting and exercise their voting rights either personally or through a proxy. Powers of attorney to participate in a General Shareholders Meeting and vote should be granted in writing or in electronic form.

Adopting resolutions by the General Shareholders Meeting

In accordance with the Articles of Association, the General Shareholders Meeting adopts resolutions if at least half of the share capital is represented at the General Shareholders Meeting.

At the General Shareholders Meeting, one share confers the right to one vote.

The following matters, in addition to those resulting from applicable laws, require a resolution of the General Shareholders Meeting:

- review and approval of the financial statements for the previous financial year and of the Directors' Report on the Company's operations;
- decision on the distribution of net profit or coverage of net loss;
- discharging members of the Company's governing bodies of their duties;
- setting the dividend date and dividend payment date;
- appointment and dismissal of the Supervisory Board members;

- determination of the number of the Supervisory Board members;
- determination of the rules for remuneration of Supervisory Board members and Management Board members;
- disposal or lease of the Company's enterprise or an organised part thereof, or establishment of limited property rights thereon;
- entry by the Company or its subsidiary into a loan, borrowing, surety or other similar agreement with, or for the benefit of, a Management Board member, a Supervisory Board member, a proxy or a liquidator;
- determination of the rules, procedures and terms of share redemption;
- creation and liquidation of the Company's funds or capital;
- adoption of the Rules of Procedure of the General Shareholders Meeting specifying in detail the rules for holding meetings and adopting resolutions;
- entering into and leaving the ENEA Group by the Company;
- adopting or repealing the ENEA Group Code following a recommendation of the Management Board and opinion of the Supervisory Board.

Furthermore, issues listed in Article 12.2 of the Company's Articles of Association require a resolution of the General Shareholders Meeting.

Rules governing introducing amendments to the Company's Articles of Association

In compliance with the Commercial Companies Code, a resolution adopted with a specified majority of votes and an entry to the register are required for the amendment of the Company's Articles of Association. As far as an amendment to the Articles of Association is concerned, the Company's Articles of Association do not contain any provisions contrary to the Commercial Companies Code governing this matter.

General Shareholders Meeting

Information of General Shareholders Meetings of LW Bogdanka S.A. held in 2021

In 2021 one Annual and one Extraordinary General Shareholders Meetings of the Company were held:

Extraordinary General Shareholders Meeting

of 1 June 2021 was held in the Company's registered office in Bogdanka.

Agenda of the Extraordinary General Shareholders Meeting of 1 June 2021:

- Opening of the Extraordinary General Shareholders Meeting
- Electing the Chairman of the Extraordinary General Shareholders Meeting
- Confirming that the Extraordinary General Shareholders Meeting is validly convened and has capacity to adopt resolutions
- Adopting the agenda,
- Adopting resolutions on changes in the composition of the Supervisory Board,
- Closing of the Extraordinary General Shareholders Meeting.

Annual General Shareholders Meeting of 24 June

2021 was held in the Company's registered office in Bogdanka.

Agenda of the Annual General Shareholders Meeting of 24 June 2021:

- Opening the General Shareholders Meeting,
- Electing the Chairman of the General Shareholders Meeting,
- Acknowledging the General Shareholders Meeting to be validly convened and acknowledging its capacity to adopt resolutions,
- Adopting the agenda,
- Examining the Directors' Report on Operations of LW Bogdanka S.A. and the LW Bogdanka Group for 2020,
- containing a statement of non-financial

- information
- Recognising the Financial Statements of Lubelski Węgiel Bogdanka S.A for 2020.
- Recognising the Consolidated Financial Statements of the Lubelski Węgiel Bogdanka Group for the financial year 2020.
- Presentation of the Management Board's motion regarding the distribution of net profit for 2020.
- Presentation of the Report of the Supervisory Board of Lubelski Węgiel BOGDANKA S.A. for the financial year 2020.
- Presentation of the Report on hospitality expenditure, legal services expenditure, marketing services expenditure, expenditure on public relations and social communication as well as management consulting services, and the Report on the application of the best practices referred to in Article 7(3) of the Act of 16 December 2016 on the principles of management of state-owned property for the financial year 2020.
- Adopting resolutions on:
 - Approval of Directors' Report on Operations of LW Bogdanka S.A. and of the LW Bogdanka Group for 2020, containing the statement of non-financial information.
 - approval of the Financial Statements of Lubelski Węgiel Bogdanka S.A for 2020,
 - approval of the Consolidated Financial Statements of the Lubelski Węgiel Bogdanka Group for 2020,
 - granting discharge to the members of the Management Board of Lubelski Węgiel Bogdanka S.A. in respect of performance of their duties in 2020,
 - approval of the Report of the Supervisory Board of Lubelski Węgiel BOGDANKA S.A. for the financial year 2020,
 - granting discharge to the members of the Supervisory Board of Lubelski Węgiel

- Bogdanka S.A. in respect of the performance of their duties in 2020,
- providing an opinion on the Report on remuneration paid to the Management Board and the Supervisory Board for 2019 and 2020
- distribution of net profit for 2020.
- Miscellaneous.
- Closing of the General Shareholders Meeting.

Adopted resolutions and all documents are available on the LW Bogdanka S.A.'s website www.ri.lw.com.pl.





7

Statement on Non-Financial Information

The Company and its business model

Statement of non-financial information of the LW Bogdanka Group and LW Bogdanka S.A. for 2021 (hereinafter: the "Statement"), which is a separate part of the Report on Operations of LW Bogdanka S.A. and the LW Bogdanka Group for 2021 (prepared as a single document) and includes non-financial information for the period between 1 January and 31 December 2021 is presented below. The Statement was drawn up based on our own rules with account taken of the provisions of the Accounting Act of 29 September 1994, the European Commission guidelines on non-financial reporting, Polish non-financial information standards (SIN), and international GRI standards.

General information

Policies and performance indicators presented in the Statement were selected and described on the basis of the materiality criteria with account taken of the internal and external factors regarding the operations of LW Bogdanka S.A. and the LW Bogdanka Group. The main factors considered when assessing the materiality were as follows: the industry in which the Group operates, business profile and market environment, impact on the local community and natural environment, and the expectations of the identified stakeholders. The data presented in the Statement will be reviewed and updated in annual reporting periods and regularly published together with annual reports for subsequent financial years. Given the Group's structure and the fact that the majority of its business and operations are carried out by the Parent (the subsidiaries perform auxiliary functions), the description of policies applicable at the Group, as contained in the Statement, also refers directly to policies applicable at the Parent. Where discrepancies occur, a relevant note is added.

The Group and its business model

LW Bogdanka S.A., one of the leading hard coal producers in Poland, is the Parent of the LW Bogdanka Group. The Parent is also a leader of innovation and efficiency in the national mining sector. Given that 99.3% of the consolidated revenue of the LW Bogdanka Group is generated by the Parent, while the subsidiaries mainly serve a supportive function in relation to the Parent's basic activities, the business model of the entire Group is determined by the business model of the Parent. Hard thermal coal extracted by LW Bogdanka S.A. is mostly used to produce electricity, heat and cement. LW Bogdanka S.A. is the only hard coal mine in Poland located outside the Upper Silesia region and the only mine extracting coal in the territory of the Lublin Coal Basin.

The mining area exploited by LW Bogdanka S.A. is divided into three mining fields: Bogdanka, Nadrybie and Stefanów (including the lifting shafts located only in Bogdanka and Stefanów).

The main source of the Group's revenue is the production and sale of thermal coal. In 2020 the majority of the coal sales (94%) were to several key customers:

- Enea Wytwarzanie sp. z o.o. (Enea Group)
- Enea Połaniec (Enea Group)
- Azoty Group - Zakłady Azotowe Puławy S.A.

- ENERGA Elektrownie Ostrołęka S.A.

The majority of the Group's sales (about 84%) are performed within the Enea Group, of which the LW Bogdanka Group is a member.

In addition to LW Bogdanka S.A. ("LWB"), the LW Bogdanka Group comprises Łęczyńska Energetyka sp. z o.o. ("ŁE") and three subsidiaries established in 2013-2014.

Certain in-house functions of the mine were spun off into those subsidiaries, which are wholly owned by LW Bogdanka S.A. The activities of the Group are primarily concentrated in Poland.

Another member of the Group, i.e. Łęczyńska Energetyka Sp. z o.o., supplies heat to the mine and is responsible for the mine's water and wastewater management operations (supplies of potable and industrial water and treatment of sanitary wastewater and rain water produced by the mine). The Company also delivers heat to external recipients, e.g. housing estates and other facilities in Łęczna. Nevertheless, the scale of its activities is significantly lower compared to the operations of the mine, both in terms of revenue and employment.

EkoTRANS Bogdanka sp. z o.o. ("EkoTrans"), established in 2013, provides waste management services to utilise waste generated in the course of coal shale washing and purifying, and more

specifically waste transportation, logistics and reclamation services.

RG Bogdanka sp. z o.o. ("RGB"), established in 2013, provides services and supplies to, and performs mining and building works for, LW Bogdanka S.A. The most recent subsidiary is MR Bogdanka sp. z o.o. ("MRB"), acquired in 2014, which performs repairs and refurbishments on the ground, including the regeneration and manufacturing of steel structures. This company, too, provides its services to LW Bogdanka. As the above tasks performed by the companies were previously carried out by the mine itself, the organisational modifications have not significantly changed the environmental impact of the LW Bogdanka Group.

As an entity that mostly deals in coal extraction and sales, the LW Bogdanka Group is placed at the very beginning of the sector's economic path. LW Bogdanka Group's membership in the Enea Group provides opportunities to take advantage of various synergies (e.g. in 2015 LW Bogdanka S.A. signed a contract for the purchase of electricity from Enea S.A., while in 2017 the takeover by Enea of the Połaniec power plant located in the vicinity of Bogdanka expanded the possibility of securing the sale of coal in the long run). From the perspective of responsibility management,

a business model which is so strongly vertically integrated gives extensive control over the social and environmental impacts connected with the creation of economic value.

Environment issues - [E]

Environmental matters - Location of the LW Bogdanka Group

The entire infrastructure of the Group and the "Puchaczów V" and "Stręczyn" mining areas are surrounded with protected land.

The immediate vicinity features:

- the Polesie National Park,
- The Łęczna Lake District Landscape Park.

The eastern part of the Ludwin mining field covers large areas of the Łęczna Lake District Landscape Park. The Brzeziczno Lake Reserve together with the separated Nature 2000 site are also located within the boundaries of the Park.

The connected mining areas, in their central and eastern parts, overlap with small stretches of the protection zone of the aforementioned landscape park which have been included in the Nature 2000 site – "Jeziora Uściwierskie" (Uściwierskie Lakes) (CODE PLH 060009) and "Polesie" (CODE PLB 060019). This region is also a part of the "West Polesie International Biosphere Reserve". The Polesie Protected Landscape Area is located in the east, while in the south-east there is the Chelm Protected Landscape Area.

The Group's activity materially affects the environment. Given the above, the Group pursues long-term pro-environmental actions resulting in implementation of an Integrated Quality, Environmental and Health and Safety Management System, and obtaining a relevant certificate in accordance with PN EN ISO 14001, 9001 and 45001 as well as on-going operational activity with a view to minimising the Group's impact to the environment.

Environmental issues

Air protection

- The Group does not have an organised emitter that would emit dust and gases to the atmosphere
- a non-organised emitter at LW Bogdanka is the mining waste disposal facility which may be a source of dust on dry and windy days
- non-organised emission to the air is caused by welding processes and fuel combustion in diesel engines used in the Parent.

Water and sewage management mainly concerns mine water, and includes:

- rock mass draining at working sites
- use of underground water for fire and process purposes
- pumping water to the surface
- use of mine water on the surface (Mechanical Coal Processing Plant, Łęcznińska Energetyka Sp. z o.o. - as part of Water Treatment Station operations)
- retention of mine water in a tank on the surface to reduce the discharge of water from tank through a drench system and the Rów Żelazny ditch into the Świnka River in the amount of about 17,701 m³/day.
- the content of chlorides and sulphates in mine water is 1.030 mg/dm³.

Waste management:

- in 2021, total mining waste amounted to - 4,790,510 tonnes
- approximately 54% of the waste was recovered and reused.
Waste recovery, i.e. using waste to rehabilitate land, strengthen roads and yards, produce cement in the "Ożarów" Cement Plant and for other purposes, amounted to 2,577,270 tonnes, of which 98.5% is used for reclamation of degraded land and land affected by mining damage. It involves restoration of the original lay of the land by filling pits with mining waste, and then covering them with a layer of soil, and using for agricultural purposes or forestation, while the remaining mining waste (2,213,240 tonnes) are kept in the mining waste neutralization facility in Bogdanka.
- The Parent manages other post-industrial waste by contracting to authorised entities the treatment of reusable waste (waste wood, used oil, scrap, conveyor belt off-cuts etc.) and waste which cannot be reused (used light sources, adhesive and paint containers, etc.).

Reclamation

Maintenance works are performed on an ongoing basis with respect to the greenery, a facility used as a mining waste dump, previously-remediated post-industrial land in the area of the Bogdanka, Nadrybie and Stefanów Fields, and railway facilities in Zawadów.
In October, the reclamation of scarps was started at the mining waste neutralization facility, on the area of 6.00 ha (planned completion date – Q2 2022)

Surface protection

- the influence of mining works performed in 2021 on the surface – as to date – manifested itself mainly as an increase in the surface scope of the existing impact
- maximum soil subsidence within the "Puchaczów V" mining area remain within the area of the village of Bogdanka and Nadrybie Wieś, Puchaczów commune, at a level of 7.5 m in the central part of the settlement basin in this region
- damage to buildings in 2021 – as to date – were primarily related to rural buildings. The reported damage to those buildings did not pose any threat to their users and were removed on an ongoing basis
- In 2021, works were carried out to drain agricultural land in areas affected by mining damage, which involved on-going maintenance of the drainage network, the pumping station, and equalising tanks.

Environment issues - [E]

Environmental protection sanctions and charges to which the Parent is exposed

Mining activity is associated with operating and environmental charges, charges for use of water, and a number of costs connected with:

- post-mining waste management
- care for post-industrial land
- environmental monitoring
- preparation of certified reports and documentation necessary for proper operation of the plant.

The exploitation charge is paid every half a year to the accounts of communes where exploitation is conducted (60%) and towards the National Environmental Protection Fund (40%).

The Parent complies with environmental standards, and did not incur any penalties in 2021 for violation of environmental rules laid down in the applicable laws.

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.

As regards the minimization and management of our environmental impact, the priorities of the Company in 2021 were:

- Prevent mining damage
- Maintain the mining waste recovery method
- Increase the efficiency of electricity consumption

Initiatives carried out to achieve the above objectives included:

- A procedure, effective to the maximum extent possible, for improvement of processing of all requests relating to mining damage; mining waste recovery, including analysis of new opportunities to use by-products of coal extraction, including the commencement of a procedure to categorize extraction waste having the size of 20-50 mm as by-product; replacement of lights with energy-saving illumination.

Taking into account new challenges and the results of monitoring of the environmental parameters of the Company's operations, the tasks adopted for 2022-2024 include:

- Permanent monitoring of the rock mass movements using state-of-the-art measurement methods.
- Recovery and use of mining and industrial waste.
- Recultivation of the mining waste neutralization facility.

- On-going reclamation of land exposed to adverse impact of the mining activity.
- Planting trees and bushes.
- Continuing activities relating to the use of underground water for processing purposes.
- Maintenance of drainage infrastructure in the mining area.
- Water management works connected with elimination of mining damage.
- Reduction of carbon footprint of the LW Bogdanka Group.

Carbon Footprint Team

In 2021 the Management Board passed a resolution under which works were commenced to:

1. Prepare the methodology of calculation of and to calculate the carbon footprint of our organization (LW Bogdanka Group);
2. Prepare the methodology of calculation of and to calculate the carbon footprint for 3 products (thermal coal, fine coal and mining waste).

An interdisciplinary team was created which is responsible for the above tasks. The outcome of those works will be a methodology that is both suitable for individual needs of the LW Bogdanka Group and based on the leading carbon footprint measurement standards. The calculations prepared for the basis year will be used to elaborate plans to reduce carbon footprint in all the area of operations of the Group and in its value chain.

Environment issues - [E]

Biodiversity

The activities to protect and stimulate biodiversity that were completed in 2021 were concentrated in two main areas: active protection and education. Under the project “Rare and Endangered Species of the Lublin Region,” implemented in partnership with the Foundation for Nature, breeding shelters and baskets for owls were placed, and a series of educational meetings were organized to raise awareness of owners of homes and children and young peoples from schools where such shelters are already situated or new shelters are planned.



Active protection of cranes nesting in the Lublin region was another partnership project, with particular attention for the cranes inhabiting the Polesie National Park. On 28 July 2021 LW Bogdanka, Foundation for Nature, Provincial Fund for Environmental Protection and Water Management in Lublin, Polesie National Park and Marshal Office (Urząd Marszałkowski) in Lublin launched the following project: “Migrations of Lublin Cranes,” by signing a letter of intent. It will be pursued on the basis of state-of-the-art technologies for ringing cranes with the use of GPS-GSM transmitters/loggers for the purpose of observation of their migration routes, as well as installation of an online camera (with a permanent cam view available on a website) to monitor their habitats. The above activities will provide detailed information on the behavior of this species, thus facilitating the elimination of many threats posed by both predators and humans, in particular during the hatching period.



As part of a project to ensure sustained development of mining heaps in Bogdanka, local stakeholders were invited to join discussions and to establish regular cooperation. LW Bogdanka S.A., the Mining Chief Research Institute in Katowice (as project leader) and the WSB University in Dąbrowa Górnicza (reclamation experts) organized workshops dedicated to reclamation challenges, directions and tools, with a particular focus on reclamation of post-industrial areas. The key objectives were to model the future use of the mining waste storage in Bogdanka and to know the expectations of local communities.



In turn in September a meeting was held for consultations, training and summing up the project “Soil – agricultural space. Sustainable agriculture in the areas in vicinity of LWB” has been continued. It was attended by both local farmers, including lessees of land from LW Bogdanka, as well as representatives of local self-governments and the interested employees of the Company. The training was carried out by scholars from the Institute of Cultivation, Fertilisation and Pedology - State Research Institute in Puławy (IUNG).

During the meeting the following subjects were discussed:

- The condition and profile of agricultural land in the vicinity of Lubelski Węgiel Bogdanka;
- Implementation of good agricultural practices to protect soil and water against contamination;
- Correct agrotechnics in order to obtain the best crop yield of arable plants;
- Prevention of adverse effects of agricultural drought.

Further, the project included preparation of training materials in the form of educational and informational brochures sent via electronic means to the training participants; hard copy brochures will be provided to the local self-government authorities in order to reach as many potentially interested recipients as possible.



Environment issues - [E]

Biodiversity

It was the second year of the “Parklet Nadrybie” tour. Together with the Landscapes Foundation, we visited the municipalities of Uścimów, Cyców, Zamość, Ludwin and Wierzbica, and every visit was combined with eco workshops for primary school children.



In 2021 the workshops covered two main topics: ornithology - children used special ornithological equipment to discover differences between various bird species and observed their behaviors; and beekeeping - where children studied the life of bees to find out the benefits offered by bees to humans, what lessons can we learn from bees and how it can be possible that bees have managed to survive on Earth for so many millions of years. In the beginning of 2022, a 4-year project was closed that was a joint initiative the Polish Society for the Protection of Birds (OTOP), under the name “Protection of peatland ecosystems in the Łęczna-Włodawa Lake District”. Its objective was to improve migration corridors of metapopulation of aquatic warbler in the Lublin province, by combining stable source populations and ephemeral estuary populations with the use of regional wildlife corridors or by creating and maintaining a system of wildlife corridors – bridge chains between the areas inhabited by water warbler. Those activities were planned in the historical,

present and potential habitats of this species, in selected 3 locations: Holeszów (Hanna municipality, Włodawa county); Kamień (Kamień municipality, Chełm county) and Krychów - Krowie Bagno (Hańsk municipality, Włodawa county).

With Bogdanka to “Sustainable City”

The Company, in cooperation with the Łęczna Municipality and the Landscapes Foundation, pursues activities with respect to sustainable development and social participation. In 2021 the project was implemented under the name “ŁęcznaLAB” and included next steps to implement the recommendations from the report on urban space needs in Łęczna, based on contextual inquiries:

- In November, the “Green Room” was opened in the Łęczna Culture Center. This is a place dedicated to various cultural and educational activities, first of all projects open to local communities, with aim to go outside the walls as its primary value added.
- Urban Greenery. Meadows – 5 flower meadows were sown in the town and, then, converted into flowerbeds. Every meadow had a non-governmental organization as its sponsor.
- Culture of Space/Functional Greenery - Miner Square (stage II) – work were continued around the Miner Square yard.
- Functional Greener – Dog Station – open workshops with a behaviorist were organized for dogs and their owners.

As a result, the project enabled the town dwellers to be included in the decision-making process in the context of municipality development, and strongly supported education on environment, climate, and citizen activity.

Bogdanka carries out activities for children of its employees to promote positive attitudes and knowledge in the area of environment protection – in December a “zero waste” Christmas decoration contest was arranged to build awareness how to reuse waste. Our Company proactively supports selected Sustainable Development Goals to offer better quality of life to this and next generations throughout the world. Goal 12 - Responsible consumption and production is the assumption in the spirit of which we have inspired children and youth and stimulated their creativity while shaping positive attitudes. The idea behind the Christmas tree decoration contest was to reuse various materials. The goal of the zero-waste attitude is to stop wasting products and generating waste and to creatively extend their useful lives. For a household budget, this also means measurable financial savings.

More than 110 artworks submitted to the contest were made of natural materials from home, such as fibers, cotton, wool, linen, glass, porcelain, wood and all those things that are considered waste.



The Company started cooperation with the Students Scientific Club “Management” at the AGH University of Science and Technology to organize a conference dedicated to CSR during which a representative of LW Bogdanka shared our experience and good practice relating to carbon footprint measurements. In the previous years, our cooperation also covered the establishment of the portal ww.odpowiedzialny.com [responsible] (formerly: Responsible Coal), which still exists. The website provides the most important information about coal, including correct and harmful combustion process, friendly and harmful products responsible industry.



Environment issues - [E]

Environmental issues

Key ratios

Electrical energy consumption [MWh]					
LW Bogdanka S.A.			LW Bogdanka Group		
2019	2020	2021	2019	2020	2021
322,887	301,007	322,038	328,211	305,492	327,320

Water consumption [m ³]					
LW Bogdanka S.A.			LW Bogdanka Group		
2019	2020	2021	2019	2020	2021
8,403,229	8,811,055	8,696,337	11,622,978	11,989,827	11,441,832

LW Bogdanka S.A. 2019	2020		2021			
	Production	Recovery	Production	Recovery		
Excavation waste	6,299.9	3,061.8	5,091.4	2,308.5	4,790.51	2,577.27
Post-industrial waste	19.9	19.9	16.8	16.8	18.2	18.2

Environmental protection at LW Bogdanka S.A. [PLN '000]	2019	2020	2021
Waste utilisation	38,739.7	33,502.3	38,350.04
Protection costs (remediation, monitoring, etc.)	6,473.6	2,048.1	1,366.4
Charges for the economic use of the environment	507.4	545.0	640.7

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 the Group have a significant impact on the environment. Therefore, the Group must hold specific permits and observe standards of using the environment detailed in applicable laws (including BAT requirements - Best Available Techniques), including in particular:

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



Risks related to mining waste management

The Company creates significant amounts of mining waste. Post-mining waste is managed (recovered) and stored at the mining waste neutralization facility in Bogdanka. About 50% of the waste can be processed and the other 50% is stored in the facility. On the basis of a building permit, the Company carries out works connected with increasing the height of the existing yard (to 250 MASL) and expanding the yard to the east. It has also started activities to acquire adjacent land for the purpose of further expansion of the facility, by obtaining another building permit for extension of the south-east part, which should be sufficient to meet the waste storage needs for the next 6-7 years. Activities are continued to acquire next plots of land to enlarge 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 to enlarge and to increase the height of the existing mining waste neutralization facility. Further, it continues works on acquiring new land to execute the next phases of extension 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 restrictions may require higher investment expenditure and therefore may affect the financial result.



Environment issues - [E]

Environmental matters - climate-related threats

Risks associated with the necessity of changes in the Company's functioning, involving additional investment expenditure

Climate changes result in more and more stringent climate policy of the EU, which directly and indirectly translates into raising environmental standards which must be met by mining companies.

Mitigating activities:

- Day-to-day supervision over meeting the environmental standards
- Permanent monitoring of modifications to the EU climate policy and the associated changes in national legislation
- Active participation in consultations regarding new regulations
- Permanent search for technical and organisational solutions minimising the Company's impact on climate, e.g. by increasing the level of energy efficiency



Risk of inability to perform coal sale agreements due to a decrease in demand for thermal coal in Poland and globally

It is likely that the demand for products offered so far will be gradually decreasing, as a result of changes in the energy mix of Poland (and the ENEA Group) and a drop in the demand for electricity produced from coal (including as a result of activities towards energy efficiency, elimination of natural persons the portfolio of customers, own sources of heat and energy becoming more and more popular, and increasing average air temperatures in winter).

Mitigating activities:

- Implementing new business strategy, including diversification of revenue towards excavations of coke coal which is a strategic raw material of the EU



Risk of increasing costs of functioning because of the necessity to pay higher damages for losses in green land and agricultural land related to compensating environmental mining damage

The excavations involve mining damage and may lead to creating settlement basins, disrupt local water relations and cause local flooding.

Mitigating activities:

- Efficient policy of managing mining damage
- Permanent dialogue with the local community
- Permanent monitoring of the rock mass movements by applying state-of-the-art measurement methods
- Monitoring of environmental aspects by way of Integrated System of Quality, Environment and Safety Management
- On-going reclamation of land exposed to adverse impact of the mining activity



Risk of increase in costs of obtaining capital and/or insuring property

The global climate crisis makes it more and more difficult for businesses, whose activity is based on fossil fuels, to access financing sources, and insurance companies treat the mining sector as a high risk industry.

Mitigating activities:

- Using the Group transformation strategy in consultations with the reinsurance market
- Searching for new methods of securing the property



Risk of hindrances with respect to any administrative procedures with participation of non-governmental environmental organisations

The activities of the non-governmental environmental organisations may affect the social legitimisation of the Company's activities, including possible protests related to the investment and development activity.

Mitigating activities:

- Pursuance of projects in partnerships with pro-environmental organisations
- Day-to-day communication regarding activities towards increasing safety of the natural environment
- Higher environmental efficiency of the Company and further investments in this respect (increase in energetic efficiency, Water Treatment Station, construction of a photovoltaic farm)
- Respect for state-implemented forms of environment protection (e.g. no current or planned excavations under the Polesie National Park)



Risk of loss of good name as a result of conducting business involving fossil fuels

Due to the climate crisis, EU policy and the activities taken by NGOs the mining industry may be perceived as guilty of climate changes.

Mitigating activities:

Participation in business initiatives, involvement in the activity towards development and social side, intense communication activities, with emphasis put on showing the Company's role in the Lublin region, its environmental efficiency and readiness for changes.



Risk of drop in revenue on sales of thermal coal

Higher temperatures in the heating season may mean lower demand for heat energy obtained from coal with concurrent increase in demand for e.g. wind energy.

Mitigating activities:

- Limiting the Company's impact on climate warming
- Taking account of forecast climate models when defining scopes of agreements with customers



Taxonomy – [E]

This part of the Report contains information on the manner and degree of the LW Bogdanka Group's operations being related to business activity classified as taxonomy under Article 8 of Regulation (EU) 2020/852 (Taxonomy). Key performance indicators were prepared pursuant to requirements set out in delegated regulation (EU) 2021/2178, according to best knowledge and exercising due diligence.

Pursuant to Article 10 of delegated regulation (EU) 2021/2178 in 2022 the statements for 2021 presented by the LW Bogdanka Group should contain a proportion of business activity, both classified as taxonomy and unclassified as taxonomy, in total turnover, capital expenditure and operating expenditure as well as qualitative information described in item 1.2 of Annex I to aforementioned regulation.

Business activity classified as taxonomy but not material in 2021 in terms of revenue, capital expenditure or operating expenditure was not recognised by the LW Bogdanka Group in KPIs.

Threshold for materiality is based on accounting policies applied by LW Bogdanka S.A. and the LW Bogdanka Group. The Company pursues the materiality principle by recognising all economic events material to assessment of economic and financial situation as well as financial results in its accounting books.

In order to present economic and financial situation as well as financial results in a reliable and clear manner, it should be noted that amounts are classified as material after exceeding the following thresholds:

- balance-sheet values: sums exceeding 0.5% of balance-sheet total for the previous financial year;

- performance values: sums exceeding 5% of gross financial result or sums exceeding 1% of sales revenue – whichever is higher.

Turnover KPIs

Proportion of business activity classified as taxonomy in total turnover was calculated by dividing total revenue from activities classified as taxonomy (pursuant to Regulation (EU) 2021/2178) by revenue recognised in the consolidated financial statements of the LW Bogdanka Group for the year ended on 31 December 2021 in consolidated profit and loss account (consolidated revenue).

31 Dec. 2021

Revenue from activities classified as taxonomy	PLN 32,881,000.
Consolidates sales revenue	PLN 2,371,280,000
Proportion of business activity classified as taxonomy in total turnover	1.4%
Proportion of business activity not classified as taxonomy in total turnover	98.6%

The proportion of revenue related to activities classified as taxonomy amounts to 1.4%. Group's activities classified as taxonomy cover mainly rail transport, supplies of potable water, wastewater removal and heat supply by the Parent.

CapEx KPIs

Proportion of business activity classified as taxonomy in total capital expenditure of the LW Bogdanka Group was calculated by dividing total capital expenditure which meet the requirements set out in item 1.2.2.22 of Annex I to Regulation (EU) 2021/2178 by total capital expenditure recognised in the consolidated financial statements of the LW Bogdanka Group for 2021 and including:

- acquisition of property, plant and equipment (item "Increases" in note 5 "Property, plant and equipment" in the consolidated financial statements of the LW Bogdanka Group for 2021);
- acquisition of intangible assets (item "Increases" in note 6 "Intangible assets" in the consolidated financial statements of the LW Bogdanka Group for 2021);
- increase of value of right-of-use assets (item "Increases" in note 7.1 "Right-of-use asset" in the consolidated financial statements of the LW Bogdanka Group for 2021).

Capital expenditure related to business activity classified as taxonomy	PLN 21,257,000.
Total capital expenditure (denominator including KPI related to CapEx)	PLN 468,000,000.
Proportion of business activity classified as taxonomy in total capital expenditure	4.5%
Proportion of business activity not classified as taxonomy in total capital expenditure	95.5%

31 Dec. 2021

The proportion of capital expenditure related to activities classified as taxonomy amounts to 4.5% – a small portion of capital expenditure related to the LW Bogdanka Group activities.

Capital expenditure related to business activity classified as taxonomy include expenditure for purchase of rolling stock as well as vital investment in railway infrastructure.

Taxonomy – [E]

OpEx KPIs

Pursuant to the definition set out in Regulation (EU) 2021/2187 operating expenditure recognised in denominator of OpEx KPI for the LW Bogdanka Group and forming basis for calculating OpEx KPI include operating expenditure on:

- uncapitalised costs related to R&D,
- renovation works on buildings,
- short-term lease,
- maintenance and servicing,
- any other expenditure directly related to day-to-day maintenance of property, plant and equipment by the business owner or a third party who was commissioned to maintain the continuity and efficiency of property, plant and equipment.

Proportion of business activity classified as taxonomy in total operating expenditure was calculated by dividing operating expenditure related to activities classified as taxonomy by total operating expenditure on abovementioned OpEx categories, as recognised in the consolidated financial statements of the LW Bogdanka Group for the year ended on 31 December 2021.

	31 Dec. 2021
Operating expenditure related to activities classified as taxonomy	0
Total operating expenses in core business	PLN 138,852,000.
Proportion business activity classified as taxonomy in total operating expenditure	0%
Proportion business activity not classified as taxonomy in total operating expenditure	100%

Operating expenses included in the indicator are recognised in the consolidated financial statements of the LW Bogdanka Group for the year ended on 31

December 2021 in items: cost of products, goods and materials sold, selling costs and administrative expenses.

Social matters - [S]

Employee matters

Personnel Policy

In order to efficiently manage the employee potential, the Group maintains a personnel policy. The aim of the policy is to effectively manage human resources through employee recruitment and development and to retain an optimal level of workforce to enable the Group to efficiently run its business. In particular, it aims at selecting and shaping the employee's competencies so as to prepare them as best as possible for effective implementation of the Group's goals and objectives, while having a sense of self-fulfilment and satisfaction from their work.

Personnel is one of the Group's key assets and a determinant of its long-term and sustainable growth. The Group is the major employer in the region engaged in continuous dialogue and cooperation with the stakeholders and therefore has created strong bonds with the region and its inhabitants. The Group employees are mainly the residents of the Łęczna Poviát and the nearby areas within a radius of about 50 kilometres from Bogdanka. The mine's managers place great emphasis on developing human capital through effective motivation and continuous improvement of professional qualifications and interpersonal skills.

Group policies on employee-related matters are included in the following documents adopted by the Parent:

- Work Rules
- Collective Bargaining Agreement
- Company Employee Benefit Fund Rules

- Code of Ethics;
- Policy of conduct in the recruitment and selection of the employees of Lubelski Węgiel Bogdanka S.A. for production positions and management and specialist positions;
- Compliance Policy of Lubelski Węgiel "Bogdanka" S.A.
- Infringement Reporting Policy of Lubelski Węgiel "Bogdanka" S.A.

and in the corresponding documents adopted by the subsidiaries.

Those documents cover all the rules and processes related to employment and work at the Group, including matters relating to employee selection criteria, employee adaptation in the workplace environment, professional development, cooperation and remuneration rules, rules for female work and equal treatment and the incentive system.

When searching for the best candidates, the Group looks for knowledge, professional qualifications, personal suitability and professional experience.

Every recruitment process at the LW Bogdanka Group takes place with due regard for the rules of equal access to procedure, regardless of sex, origin, age, religion, nationality, beliefs and other factors related to diversity of the candidates.

Underground and surface employees make up 72.3% and 27.7% of the head count, respectively.

Due to the nature of its business and the relevant legal requirements, the Group mainly employs men. The LW Bogdanka Group does not introduce any restrictions on equality in employment, and its current structure results from employees' individual preferences as to the choice of their career. Women mainly hold administrative positions, which is consistent with the general trend.

As at 31 Dec. 2019 (by persons)

LW Bogdanka S.A.	employment contracts	civil law agreement
Women	282	7
Men	4,625	93
Total	4,907	100

As at 31 Dec. 2021 (by persons)*

LW Bogdanka Group	employment contracts	civil law agreement
Women	309	9
Men	5,453	106
Total	5,762	115

*data covers employees whose employment has been temporarily suspended, i.e. parental leave, unpaid leave, rehabilitation benefits.



Social matters - [S]

Employee matters

Generation Change Programme

In connection with an increased risk of a substantial outflow of employee competences, the Management Board of the Company, in order to secure personnel requirements, implemented the Generation Change Programme. The first stage was the Voluntary Redundancy Programme which makes it possible to bridge the generation gap in a reasonable and coordinated manner, spread this process over time, and maintain the continuity of operating activities.

The Group believes that in order to counteract the effects of generation gap, it is also necessary to work closely with vocational schools and universities. LW Bogdanka S.A. has signed letters of intent in that respect with the following institutions:

- the AGH University of Science and Technology in Krakow
- The Mining School in Łęczna
- The Mining School in Ostrów Lubelski
- The Power Engineering and Transport School Complex in Chełm

In addition to organising regular meetings with students and graduates and maintaining cooperation, as part of existing programmes, the LW Bogdanka Group initiated in 2018 a new support and incentive programme for future mining staff "Become a Professional - School Today, Success Tomorrow". Despite difficulties in 2020 internships were organised for students from partner schools.

Such activities make the Company visible among future candidates to work. In order to increase the efficiency of the activities, a new role in the organisation was appointed, i.e. a person in charge

of supporting the adaptation process and internships.

Five people were employed as part of the "Passport for work" programme. In accordance with the assumption of the programme and the plan, further 12 graduates will be hired in 2021.



LW Bogdanka S.A.	Recruitments 2021	Left 2021	Recruitments 2020	Left 2020
Women	27	23	17	14
Men	91	123	116	114
Employees, breakdown by:				
•employees under 30	53	14	69	11
•employees between 30 and 50	58	49	61	55
•employees above 50	7	83	3	62
Total	118	146	133	128

LW BOGDANKA GROUP	Recruitments 2021	Left 2021	Recruitments 2020	Left 2020
Women	37	29	24	18
Men	329	319	366	353
Employees, breakdown by:				
•employees under 30	170	119	199	118
•employees between 30 and 50	186	138	182	179
•employees above 50	10	91	9	74
Total	366	348	390	371

Social matters - [S]

Employee matters

Employee qualification improvement and professional development policy of LW Bogdanka S.A.

All employees have access to training and opportunities to improve their qualifications.

In 2021 internal and external training sessions were organised at the Group.

The Company maintained the risks regarding the development of knowledge and skills, identified in 2020, and tried to mitigate them by taking training and educational activities. Those risks were mainly related to a lower availability of training courses in 2021 due to restrictions resulting from the Covid-19 pandemic (switch to remote training mode).

The pandemic made the conduct of regular training and traditional educational activities impossible. Due to limitations imposed both by the government and the Company's regulations, the Employee Development and Technical Training Department had limited options to pursue training activities. In 2021 the obligatory OHS training courses were carried out online. In the event that an employee was not able to participate in an online training course, a traditional model was still available, in accordance with applicable internal regulations of the Company. Up to this moment, keeping the employees safety in mind, 4,807 people were subject to periodic training, 290 persons were subject to initial training and 648 people took part in training for third party entities. Additionally, internal training sessions were carried out online for 192 people (on GDPR, liquidated damages, etc.) and in classroom for 81

people. Furthermore, external training service providers were also employed and delivered training sessions, both online (350 persons) and in classroom and hybrid model (2,576 persons), which covered, among other things, transport of people on belt conveyors, labor law, the new Public Procurement Act, effective Volunteer Labor Inspection function, audit committee and other subjects, after transformation of training companies which had adapted themselves to the reality.

LW Bogdanka Group

Total number of training hours in 2021	Total number of training hours in 2020
57,170	65,612

LW Bogdanka S.A.

Total number of training hours in 2021	Total number of training hours in 2020
45,967	50,338

Additional non-salary benefits

In addition to their regular pay, employees of the LW Bogdanka Group receive non-salary benefits. The most important benefits of this type, which are co-funded from the Company Social Benefits Fund, include:

- social allowance
- holidays for employees and their families, i.e. trips and journeys
- membership fees for sports facilities
- garden parties for employees
- tickets for cultural events
- nursery school for employees' children
- possibility of taking out a loan for housing purposes.
- employee volunteering

LW Bogdanka S.A. 2021

Funds for the Company Social Benefits Fund [PLN '000]	Funds used	Performed [%]
20,350.30	9,164.70	45.00%

LW Bogdanka S.A. 2020

Funds for the Company Social Benefits Fund [PLN '000]	Funds used	Performed [%]
18,035.00	11,705.60	64.90%

Social matters - [S]

Employee matters

Management of Occupational Health and Safety (OHS)

The profile of its deposits and significantly lower natural risks make LW Bogdanka S.A. one of the safest mines in Poland. The Company is unique and different than the other hard coal mines thanks to well-prepared personnel and advanced, often very innovative, technological and organizational solutions. Irrespective of the above, appropriate procedures and processes need to be constantly developed and implemented to limit the risks and the effects of potentially unforeseeable events. As LW Bogdanka S.A.'s subsidiaries use the infrastructure of the Parent, any occupational health and safety (OHS) procedures introduced by LW Bogdanka S.A. also apply to the subsidiaries.

Issues related to occupational health and safety management at LW Bogdanka S.A. are part of the Integrated OHS, Quality and Environment Management System at LW Węgiel Bogdanka S.A. The OHS management procedures are kept in compliance with ISO 45001:2018 standard. The issues were also considered in the integrated corporate security management system. The present management systems are continuously improved. The Group is continuously looking for more and more effective solutions by analyzing accidents and accident-related events. In order to ensure high safety standards, the Group monitors work conditions on an ongoing basis by carrying out regular inspection workplaces, and also initiates any preventive steps

necessary to mitigate or eliminate potential threats. An obligation imposed in the mine to test the safety of materials and fixed assets in production environment before purchase and implementation is also of great importance to employees. The Group does not merely rely on declarations of manufacturers and vendors, but carries out its own assessments and tests.

Employees are involved in tests and assessments of personal protective equipment and work apparel. Opinions of staff members have an important influence on decisions as to which equipment should be purchased.

In order to reduced or eliminate accidents at work or OHS incidents, particular processes are redefined and, first of all, automated and mechanized. A good example may be the use of machines in the process of disassembling longwall headings and removing casings, and securing roof of a coal deposit in wall niches. The use by the LW Bogdanka Group of modern underground machinery and equipment, in addition to increasing productivity, enables us to reduce human presence in dangerous places. It is also very important to use sprinkler systems on extracting machines and coal transport lines as they not only eliminate the coal dust explosion hazard, but also reduce harmful air dust in the mine's excavations to protect health.

In 2021 the following actions were taken in order to improve safety in Lubelski Węgiel Bogdanka S.A.:

- the OHS Department continued intensified inspections of work conditions in various departments and conducted talks with employees to raise their awareness of responsibility for own safety and for the safety of colleagues,
- together with the Volunteer Labor Inspection, a review of work conditions was carried out in selected underground departments in the course of mining operations,
- a project to improve OHS conditions was reinstated in the area of first aid: "OGAR training - first aid and advanced medical aid". This training is provided by the Medical University in Lublin,
- During periodic training sessions additional presentations regarding accidents were made and discussed, with special attention put on threats associated with excavations, reinforcement and liquidation of panels as well as with drilling roadways.

- The OHS Department actively supported the Employer in relation to the procedures introduced to prevent and combat COVID-19, through the ongoing monitoring of how they are complied with by employees and by providing advice on the purchases of additional personal and collective protection equipment.
- Visual renderings presenting occupational accidents and short instruction videos were prepared and displayed on screens installed in all Fields and used in periodic training sessions.
- Annual competition on OHS awareness and knowledge was carried out for the employees of LW Bogdanka S.A.

Accidents in 2021	LW Bogdanka S.A.	LW Bogdanka Group
Number of fatal accidents – total staff	0	0
Number of fatal accidents – subcontractors	0	0
Number of accidents that result in a loss of working time – total staff	3	3
Number of all reported accidents – total staff	68	95
Number of all reported accidents – subcontractors	95	95

Social matters - [S]

Employee matters

Employee-related risks

Generation gap risk

Due to ongoing works on amendments to the Collective Bargaining Agreement which will consider the change of work organisation and remuneration, there is a risk that a larger number of experienced employees entitled to retirement benefits will leave the Group. They are valuable due to their knowledge and experience, therefore, their sudden departure in a short period of time could disrupt the generational continuity which is being rebuilt, and in turn, disrupt the mild gradual staff turnover.

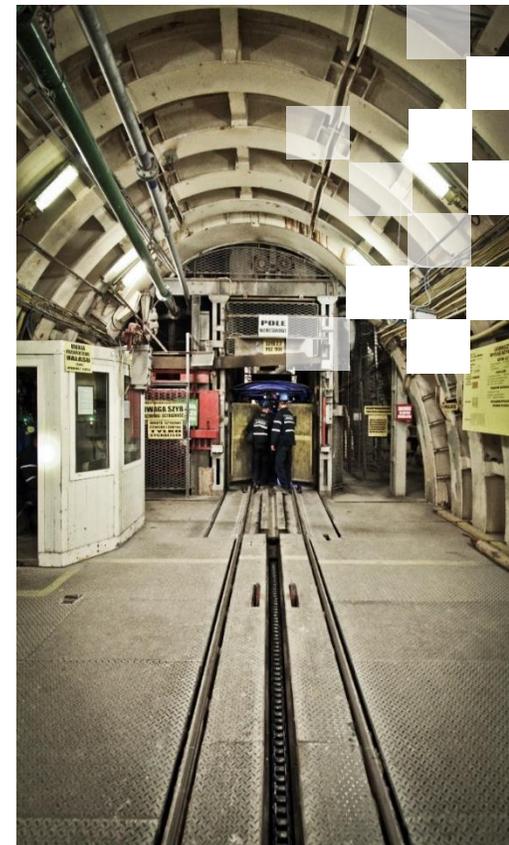
The Company manages the risk by continuously monitoring the employment structure and developing special programmes addressed to current employees and graduates of universities and vocational schools with a specialism corresponding to the Company's activities.



Risk of key employee loss

In order for the Company to run its basic activities, that is to say to produce and sell thermal hard coal, it needs qualified and experienced employees. There are very few experienced and responsible miners on the labour market, especially in the south-eastern Poland where there is only one hard coal mine. Therefore, loss of key specialists in that field poses a substantial risk to the Company's business. LW Bogdanka S.A. manages

that risk by offering attractive and motivating work conditions in what the Group sees as its key business areas. These measures are aimed not only to attract prospective employees, but also to promote self-development and qualification improvement among current employees. In addition to remuneration adequate for the position held and the number of years worked, the Company provides its employees with non-salary benefits set out in the Rules and Regulations of the Company Social Benefits Fund. These include loans granted on preferential terms and subsidies for holidays or sports and cultural events.



Social matters - [S]

Employee matters

Effectiveness of safety management at the workplace

At LW Bogdanka S.A., matters related to occupational health and safety (OHS) management are part of the Integrated Health and Safety, Quality and Environment Management System at LW Bogdanka S.A. The Company maintains a quality management system compliant with the requirements of the relevant reference standards, which has been confirmed by audits carried out in the organisation, including an audit carried out by PRS Certyfikacja S.A.

Several (facultative) OHS solutions were kept in place in order to improve employee safety at the Company. In 2021, in order to improve the efficiency of monitoring of third party vendors which carry out works in the facilities of LW "Bogdanka" S.A., the instruction for vendors and guests was updated to add the obligation of a subcontractor to fill in and deliver, before works are commenced, the so called IBWP (Safe Work Performance Instruction) attachment.

Cooperation with the Lublin Medical University – Medical Simulating Center was continued in the area of the special "OGAR training - first aid and advanced medical aid," dedicated exclusively to employees of the Company.

In order to motivate the employees for improving their knowledge on safety regulations, an OHS competition was organised.

As part of promotion of preventive activities, the Company distributes to its employees, on a regular basis, information on available programs, including lung disease prevention or free vision tests. Female workers was given, as a Women's Day gift, a preventive cosmetic with a leaflet how to self-test breasts for possible cancer-related changes.



Health prevention measures were mainly focused on counteracting the COVID-19 pandemic. Relevant information was disseminated using 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.

We shared our knowledge and experience in the area of inter-sectoral cooperation to support health of employees and local communities in the publication "Responsibility for health. Infectious disease prevention as CSR good practice at workplace and an element of sustainable development of the region".



Trade Unions and the social dialogue

Six trade union organisations operate at the Group, out of which four at the Parent.

As at 31 December 2021, the size of the individual trade unions (at the Parent) was as follows:

- "Solidarność" Independent Self-Governing Trade Union – 941 members
- Trade Union of Miners in Poland – 1,508 members
- "Kadra" Trade Union – 347 members
- "Przeróbka" Trade Union – 370 members

In total, 3,084 employees were members of trade union organisations, which constitutes 63.0% of the total head count at the Company.

Cooperation of the LW Bogdanka Group with the management boards of union organisations is constructive. Union organisations participate in decision-making to the extent provided for by the law.

As part of the monitoring of the CSR Strategy, we review the key groups of stakeholders and the current and desired forms of dialogue with them. In the case of these key groups, the communication is very regular, direct and often at the highest level, which enables consultation of relevant matters on a regular basis.

Social matters - [S]

Employee matters

The Solidary Miners Foundation

This organization is a well-established element of the system that supports employees of Bogdanka and its subsidiaries and members of local communities in the Lublin province, who can seek its assistance in a difficult situation. 2021 was the eight year of activities of this corporate foundation established by the Management Board of LW Bogdanka S.A. as an additional, effective vehicle for supporting the miners' community – employees of the Company, its subsidiaries and its subcontractors, and their families. It was decided that the Foundation cannot limit its activities to miners and ignore the needs of other persons connected with the Mine, therefore its also supports the community of the Lublin province.

In 2021 the Foundation supported 51 individuals and institutions. As always, health is the main area of assistance: 38 persons – employees, retired employees or their family members – received financial aid for treatment, rehabilitation, surgery and other medical procedures, or holidays. Two beneficiaries were supported by the Foundation to adapt their homes to the needs of disabled persons. Parents of disabled children can receive a refund of costs of treatment (sometimes very expensive and beyond their financial capabilities), medicines or equipment.

For Independent Public Hospital No. 1 in Lublin, the Foundation bought medical equipment for PLN 30,000. The Foundation also established cooperation with the County Family Help Center in Łęczna

to open a Consultation and Information Point for Addicted Persons. The Point is to meet vital social needs of inhabitants of Łęczna County in the areas of prevention and resolution of alcohol- and drug-related problems and prevention of domestic violence.

In 2021, the costs of activities set forth in its by-laws amounted to PLN 284,900 (in 2019 - PLN 363,400), which included:

- medical treatment and rehabilitation – 45.5%
- purchase of medical equipment – 27.1%
- social aid – 18.8%
- financing with respect to education and health care – 5%
- other financing – 3.6%.



Social matters - [S]

Commitment to development of the social environment

Charity

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. In 2021, LW Bogdanka S.A. granted monetary and in-kind donations for a total amount of PLN 550,000 to social institutions and organizations, local governments, including hospitals and schools, and other entities providing support to local communities.

With help of the donation fund, the Municipal Health Center in Milejów acquired a USG sonar with equipment for diagnostic imaging for inhabitants, the Caritas Assistance Center was refurbished and the Mining Schools in Łęczna established an advanced renewable energy laboratory.



Donations are granted by the Management Board of LW Bogdanka in accordance with the Rules adopted in 2020, which include a uniform Request for Support template. The team that examines requests also takes into account compliance with the LWB Social Committeemen Policy, available on the website for third party stakeholders. This approach ensures high comparability and transparency of activities.

Bogdanka Socially Committed – in August 2019 the Company launched a programme under which LW Bogdanka's employees may bring initiatives and inform the Company of social organisations which are important for local community and, at the same time, address the needs of groups of external stakeholders of the Company. An employee may once a year receive up to PLN 3,500 to implement his or her initiative described in the application – the ideas are subject to assessment by a Team appointed by the Vice-President of the Management Board responsible for Employee and Social Affairs.

In 2021 we completed 25 projects and initiatives for local communities. Total expenditures amounted to PLN 100,000 and helped local educational organizations, farmer's wives' associations, volunteer fire brigades, societies and foundations improve their work and change the environment more effectively. A charity run, gymnastics activities for inhabitants during vacations, renovation of an old tomb and sports and educational equipment for preschools and schools – these are only a few examples of activities completed by Leaders – employees of the Company, as part of social responsibility initiatives.



Support for young artists and culture animators

On 6 July, during an official gala in the Student's Cottage, cultural scholarships were granted as part of the first edition of the "Bogdanka Cultural Scholarships in Student's Cottage" program. It is aimed at supporting young artists and culture animators from the Lublin region. It is performed under the framework of the Policy of social involvement of LW Bogdanka S.A. in cooperation with the Academic Centre for Culture and Media of the Maria Curie-Skłodowska University in Lublin - the Student's Cottage. Applications were filed between 20 May and 16 June.

'We strive to ensure that our Scholarship Program is a vital tool which supports young people who are active in culture. Our scholarships are a kind of investment which will bring numerous benefits, as in the case of business projects. For us, this is a way to stimulate development of young people and, by this, to implement our social responsibility commitments,' said Adam Partyka, Vice-President of the Management Board of Lubelski Węgiel Bogdanka S.A. responsible for Employee and Social Affairs.

The Competition Commission has decided to award 15 scholarships in the area of artistic activity (music, visual arts, theatre, literature) and promotion of culture, with a total value of PLN 70,000 gross. Beneficiaries of the scholarship are persons of less than 35 years of age who live, study or perform creative activity in the Lublin province. Four of them come from Ukraine and Belarus.



Social matters - [S]

Commitment to development of the social environment

Development & Joy – our first project of cooperation with children’s homes and the guardianship system

Children’s homes has been on the list of social partners of the Company for many years, however this is the first time when cooperation is to cover so many areas of support, under the new project initiated by Bogdanka under the name “Development & Joy”. “Development & Joy” is not only the project name, it is also the most important goal of this initiative. It is dedicated to children facing difficulties which will be affecting all their family and professional lives from the start.



The project consists of 3 tasks: to support children in children’s homes, to support children in foster families in Łęczna county and to support adults leaving children’s homes and foster families. Within the framework of each of those tasks, cooperation is based on two modules: Development (focus on education) and Joy (focus on positive emotions). Partner invited to join the project have chosen the module which they deem fit in the light of the needs of the children under their care and the components not covered by co-funding they receive from other external sources. In 2021, our partners included: Children’s Home in Kijany, Children’s Home in Siedliszcze and Janusz Korczak Children’s Home in Lublin. Additionally,

in close cooperation with the County Family Help Center in Łęczna, as part of integration activities, individual support was provided to 20 children in foster families and to 50 foster families.

“Bogdanka’s Active People” is a programme supporting activities performed additionally to regular work by its employees. The programme aims at building organisational culture based on cooperation, dialogue, and commitment of all staff. It has become a chance for development of the employees, and was a driving factor for further achievements. To show that it is worth taking additional after-hours activities, develop hobbies and interests, and set new goals, the Company co-financed 6 active individual employees and 1 employee team. Areas of interest of the awarded employees in the 2021 edition are: environmental protection, science, culture, arts, and sport. The programme has become a strong element for implementing the “work life balance” philosophy among the employees.



Charity fundraising on Bogdanka’s premises – in 2021, there were several charity events organised to support the people in need. Above all, support was provided for actions initiated by the employees. This was done by means of donations, in-kind contributions and organisational support. Food and detergents were provided as part of grassroot campaigns to SOS Lublin Land, the Odra-Niemen Association and the Revalidation and Guardianship Center in Łęczna.



Positive Twist – a permanent campaign involving collection of screw-on bottle caps for those in care of the Little Prince Hospice in Lublin. In 12 months we collected several hundred kilograms of plastic caps. The action has become a permanent and popular event organised at Bogdanka.



Social matters - [S]

The below data on LW Bogdanka S.A. and subsidiaries' expenses on the actions described below are of marginal nature.

CSR – expenses [PLN '000]	2020	2021
CSR	510.7	693.5

Donations

LW Bogdanka S.A. is an appreciated employer, an active participant in local communities lives and an economic pillar of the region. The Company's key resource are the people who identify with it and its brand and mission. Counting both employees and their families, more than 10,000 people are directly and indirectly financially associated with. In its pursuance of the goal to build social support for business activity, the Company is interested in supporting values which integrate social communities.

Such a philosophy is reflected, among other things, in the support given to non-commercial local social initiatives aimed at developing culture, research, education and health care, as well as building communal infrastructure and meeting other needs of the local community.

Donations [PLN '000]	2020	2021
Donations	1.100,0	800.0

Donations [entities]	2020	2021
Beneficiaries of the donations fund of LW Bogdanka S.A.	29	46

Risks associated with social matters

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 deciding on renegotiations of wage policy through protest actions. As at the day of submitting this Report, 6 trade union organisations operate at the Group, associating more than a half of all 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 operating in the Company could affect the operating activities conducted by LW Bogdanka S.A. The Group manages the risk through cooperation and permanent constructive dialogue with the representatives of the Trade Unions as well as through talks and negotiations in situations of potential conflict.



Risk of conflict with the local community

Any production plant engaged in transmission activities generates emissions and exerts an impact (mining damage). This may be a burden for the local community residing in the vicinity of the plant. Mining activities have a major impact on the surrounding areas. Such impact manifests itself, among other things, in ground settling and local flooding. Such a situation may cause dissatisfaction or protests of the local inhabitants. The Group manages the risk by strictly complying with the environmental protection laws and undertaking own initiatives aimed at reducing the impact that the Group exerts on the natural environment (e.g. projects related to the protection of biodiversity in the mine's neighbourhood). In addition, the Group compensates losses, if any, incurred as a result of its activities by facilitating the process of filing claims related to mining damage (e.g. online forms). What is more, the Group organises socially-oriented events to compensate for the inconvenience it causes to the local community. The fact that the Group is the largest employer in the region, offering stable employment conditions, helps to build the mine's positive image in the Lublin area.



Management issues - [G]

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.



Ethics as component of the organisational culture

LW Bogdanka S.A. is a company with an extensive organisational culture, an effective ethical programme, a consistent system of values, and, above all, a mission whose main purpose is the common good. The Code of Ethics established in 2011 is updated to ensure that it reflects the most recent situation in the Company and in the industry as a whole. The documents which have been in effect since 2015 are: "Supplier Code of Conduct of LW Bogdanka S.A."; "Guidelines for Filing and Handling Complaints Related to Noncompliance with the Rules of the Company's Code of Ethics"; information regarding "Compliance with the Rules of Ethics at Interviews with Injured Parties and Witnesses for the Purposes of Developing Accident Reports".

In November 2018 Code of Ethics was introduced in the LW Bogdanka Group, and it applies to all subsidiaries.

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

Given the above, as from 2020 all matters entrusted earlier to the Ethics Representative were transferred to the Compliance Department.

As a result, two documents were introduced: The "Infringement Reporting Policy" and the "Compliance Policy" of LW Bogdanka S.A. An Ethics Representative was appointed and given the task to develop and implement a process related to the functioning of the compliance management system. The Compliance Representative monitors, on an on-going basis, the observance of regulations in force and immediately reacts in case of any irregularities.



Challenges in a Time of Pandemic

For Bogdanka, 2021, as previous year, was a time of many challenges and important decisions – it was not only the time of the pandemic and intensified activities in the area of prevention and safety, but it was also a time of work on the assumptions of the Just Transformation in the Region, the business strategy of Bogdanka and social committees to offset the negative effects of Covid-19. The outcomes of the Group's activities are presented in the Integrated Report for 2020, published in the second half of 2021.



Management issues - [G]

Human Rights matters

Respect for human rights

Respect for human rights is a strict obligation of every organisation and its employees. This obligation results from the legal system applicable in the United Nations (Universal Declaration of Human Rights), the European Union (European Convention on Human Rights) and in Poland, especially the Constitution of the Republic of Poland, which guarantees respect for human rights and civil rights, including:

- right to freedom (Article 31)
- equality before the law and non-discrimination (Article 32)
- equality before the law irrespectively of sex (Article 33)
- right to privacy (Article 47)
- freedom and integrity of the person (Article 41)
- freedom of religion and belief (Articles 53-54)
- freedom of assembly and association (Articles 57-59).

At LW Bogdanka S.A. issues related to the respect for human rights are regulated in internal documents, including:

- Code of Ethics
- Supplier Code of Conduct of LW Bogdanka S.A.
- Compliance Policy at LWB S.A.
- Procedure of reporting breaches at LWB S.A.
- CSR Strategy.

In 2021 LW Bogdanka S.A. continued implementing the compliance management system. Implementing the system is a result of the necessity to adjust the applicable provisions of law: Regulation (EU) 2017/1129 of the European Parliament and of the

Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and the Act amending the act on public offering and conditions for introducing financial instruments to organised system of trade and on public companies dated 16 October 2019 as well as some other acts. The Company is also obliged to introduce the compliance system on the basis of the compliance standards applicable at the Warsaw Stock Exchange.

Compliance management is effected at the Company in three areas: compliance with generally applicable acts of law, compliance with internal regulations, and compliance with generally accepted ethical standards. The above in particular means the compliance with the following documents: Infringement Reporting Policy of Lubelski Węgiel "Bogdanka" S.A.; Code of Ethics of Lubelski Węgiel Bogdanka S.A. Rules for accepting and handing gifts; Rules for conducting sponsorship activities Functioning the compliance system at LW Bogdanka S.A. is managed by the Compliance Department and the Compliance Representative of the Management Board.

By developing and adopting the above-mentioned regulations, the Company has undertaken to respect human rights and to actively promote such rights. In a situation where such rights are violated, appropriate measures are undertaken to immediately change the negative situation. Just like in the majority of companies, in the case of relations between employees, it is of utmost importance to make sure that human dignity is respected and to counteract discrimination. Pursuant to the Code of Ethics applicable at the Company, any forms of discrimination, both direct and indirect, abuse or harassment are absolutely inadmissible and unacceptable at the LW Bogdanka Group. Every employee is obliged to counteract any discriminatory acts and strongly protest against such acts.

Every new employee is informed of the Code of Ethics

during induction training. All employees know the contents and mechanisms described in the Code of Ethics - and all of them (100%) received a hard copy of the Code and signed it for confirmation. In connection with the compliance management system having been implemented, the Company's employees will be subject to training on the compliance of law and ethical standards. The performance of training courses in 2021 was limited due to the situation related to the Covid-19 pandemic.

In addition to training, measures are undertaken to promote ethical behavior and to prevent any situations where human rights could be violated. Such measures are also supported by internal communication channels, such as the Company's website, information boards situated throughout the mine, roll-ups, banners, the company magazine, and social media (Facebook), which prove most effective under given circumstances to ensure the maximum reach. In 2021 onboarding and orientation training for new employees was provided by the Compliance Department and the Compliance Representative of the Management Board. In 2021 all new employees underwent training (due to the situation related to the COVID-19 pandemic, some training sessions were carried out through an online platform).

Employees may, or even are obliged to, report instances of potential incompliance or unethical behaviour. They may reach the Compliance Department and the Compliance Representative of the Management Board through special channels for reporting breaches, i.e. e-mail, telephone, anonymous online form available at the www as well as regular mail. Moreover, the employees are welcome to use mail boxes located in all three mining areas and in the Management Board building. In this way, the employees may remain anonymous. Since 2014, bidders wishing to cooperate with the Company must submit statements on compliance with the rules of ethics, human rights, environmental

protection and labour law (including health and safety).

Any contracts entered into by the Company contain relevant provisions, including permission for an audit to be conducted by or on behalf of LW Bogdanka S.A. In 2021, statements relating to such matters as respect for human rights were submitted in all tender procedures (except for small procedures carried out without tender where such statements are not required).

Moreover, a document titled "Supplier Code of Conduct of LW Bogdanka S.A." has been in force at the Company since 2015.

the Code regulates matters related to:

- observance of the law, including respect for human rights,
- prevention of discrimination,
- relations in the workplace,
- occupational health and safety,
- natural environment protection,

It is expected of the subcontractors working in LW Bogdanka S.A. that their employees comply with the Code of Ethics applicable at the Company. They may also provide information on any potential infringement of the Code.

Total number of incidents of discrimination (at the workplace) in 2021

Total number of incidents of reported infringements – complaints and reservations regarding a failure to observe the Code of Ethics in 2021

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Management issues - [G]

Human Rights matters

Key indicators (LW Bogdanka S.A.)

Agreements with human rights respect clause [%]	2021
Share of agreements with human rights respect clause	100%
Employee training [number of people]	2021
Number of employees who were given training in the respect for human rights	100%
Penalties for infringement of human rights and employee rights [PLN]	2021
Total value of penalties imposed on the Company for infringement of human rights and employee rights	0



Risk of human rights infringements at the Company

The LW Bogdanka Group strictly complies with the provisions of Polish law and EU law concerning the respect for human rights. Nevertheless, the scale of the Company's activities and a substantial number of employees are factors which may entail the risk of an infringement of human rights, especially in the area of dignity and respect for the rules of diversity. Despite the fact that additional internal regulations have been introduced in that respect and numerous educational campaigns have been carried out, the Group has limited influence on discriminatory incidents among employees, which, fortunately, are extremely rare.

The Group manages the risk by continuously monitoring any incidents of human rights infringement and by organising the relevant training sessions and information campaigns. Compliance Department and the Compliance Representative of the Management Board area active at the Company, and support the activities of the whole Group. All employees who have been discriminated against or have witnessed any discriminatory incidents may seek support from the Ethics Representative and enforce their rights in that respect.



Management issues - [G]

Anti-corruption matters

Anti-corruption measures

Just like in the case of matters related to the respect for human rights, the anti-corruption policy is mainly included in the Code of Ethics. In addition to the above-mentioned code, the issue in question is addressed in the following documents:

- Procedure of reporting breaches at LWB S.A.
- "Guidelines on Accepting and Handing Gifts at LW Bogdanka S.A."
- „Compliance Policy at LWB S.A."

The Code of Ethics applicable at the LW Bogdanka Group at the mine sets out ethical values and principles which should be followed in the Company, and presents, in an intelligible manner, any potential undesirable situations. The Code addresses matters related to non-competition, conflict of interest, as well as anti-bribery and anti-corruption measures. Ethical standards described in the Code of Ethics applicable at the LW Bogdanka Group define Corruption as an act (action) which is strictly prohibited for all the employees, irrespective of their position within the organisational structure. Under the Code, corruption is an action which involves the following:

- promising, proposing or providing by any person, directly or indirectly, any undue benefits to an employee – irrespective of their position and function at the Company – or to any other person, in exchange for an action or omission in the context of their professional duties demanding or accepting by a Company employee, directly or indirectly, any undue benefits, for the employee or for any other person, or accepting offers or promises

of such benefits, in exchange for an action or omission in the context of their professional duties

- abuse of powers or failure to comply with the obligations by a Company employee resulting in damage to the Company's interest, committed in order to obtain any undue benefits for the employee or for any other person.

The Group has also introduced its Gift Acceptance and Giving Guidelines. It is prohibited to accept and provide gifts other than advertising gadgets. Designated employees of the Company (including the Management Board members and employees of departments which run promotional activities) may only provide and accept minor gifts, such as promotional and advertising gadgets (usually marked with a brand logo or an advertising slogan) which are commonly exchanged in business relations (e.g. a calendar, notebook, pen or an invitation to a customary meal), provided that such a gift may not have any influence on any decision on whether to establish and how to develop cooperation with the entity represented by the person who has provided or accepted the gift.

An issue that is very similar to the subject of corruption is the concept of a conflict of interests. A conflict of interests may result from personal relations, financial relations, additional activities of an employee or other commitments that may affect impartiality during a decision-making process regarding the choice of a potential business partner for the Company. Such matters are also regulated in the Group's policies.

Every new employee is informed of the Code of Ethics during induction training sessions, receives a copy of the Code, and fills in a Conflict of Interest Report which is subsequently provided to the Director of the Management Office.

Just like in the case of respect for human rights, the bodies responsible for monitoring and managing

anti-corruption matters is the Compliance Department and the Compliance Representative of the Management Board.

In 2021, no instances of abuse were recorded. It is important that employees maintain integrity in different areas of our business, report and resolve borderline situations, apply high moral standards, etc. in order to eliminate any conflicts of interests, etc., build a positive image of the Company, show good manners and maintain mutual trust, in both personal relations and in the workplace.

Key ratios

Corrupt practices [number]	2021
Number of confirmed instances	-
Anti-corruption training [%]	2021
Share of employees who were given anti-corruption training	100%
Percentage of employees who were informed of the anti-corruption policies and rules	100%

Anti-corruption risks

Risk of corruption incidents among Company employees

It is unacceptable that any actions take place at the LW Bogdanka Group that have any characteristics of corrupt practices or that any situations occur that raise doubts as to the impartiality of the employees during the process of granting contracts. Irrespective

of the procedures and regulations adopted by the Company in that respect, there is a limited risk that situations related to corruption may occur. Employees that are highly vulnerable to such situations are the employees with direct contact with the representatives of external entities that may derive specific economic benefits as a result of establishing cooperation with the Company. The Company manages the risk through various of internal regulations and procedures under which the employees are obliged to maintain impartiality while performing their professional duties and prohibited from accepting and economic benefits from external entities. Training sessions in that regards are also organised by the Company's relevant internal units Compliance Department and Compliance Representative of the Management Board.





Glossary

- **CSR** – Corporate Social Responsibility
- **Net debt/ EBITDA** – product of net debt (i.e. the total current and non-current liabilities less cash and equivalents) to EBITDA
- **EBIT** – earnings before interest and taxes
- **EBITDA** – EBIT increased by depreciation and amortization and impairment losses
- **GRI** – Global Reporting Initiative – guidelines for reporting sustainable development issues
- **Audit Committee** – a team within the Supervisory Board responsible for overseeing the company's financial reporting
- **PTE** – Technical and Business Plan
- **LWB** – Lubelski Węgiel Bogdanka S.A.
- **IFRS** – International Financial Reporting Standards
- **Extraordinary General Shareholders Meeting** – Extraordinary General Shareholders Meeting of LW Bogdanka S.A.
- **NFOŚiGW** – National Environmental Protection Fund
- **OUG** – Regional Mining Authority
- **PFRON** – the National Fund for the Disabled
- **PGG** – Polska Grupa Górnicza (Polish Mining Group)
- **Supervisory Board of LWB** – Supervisory Board of LW Bogdanka S.A.
- **Gross margin on sales** – the rate of return on sales calculated by dividing the profit by the volume of sales
- **EBITDA margin** – operating profit plus depreciation and amortization to total revenue
- **EBIT margin** – ratio of EBIT calculated for a period and the revenue from the sales of the period
- **Gross margin** – ratio of gross profit (before taxes) and net sales
- **Net margin** – ratio of net profit and net sales
- **Return on Assets (ROA)** – ratio of a company's net profit to the value of its assets
- **Return on Equity (ROE)** – ratio of net profit to equity
- **Respect Index** – an index of socially responsible companies
- **SIN** – Non-Financial Information Standard
- **SRK** – Spółka Restrukturyzacji Kopalń S.A.
- **WFOŚiGW** – the Provincial Fund for Environment Protection and Water Management
- **Debt ratio** – ratio of total liabilities to total assets
- **Debt to equity ratio** – ratio of total liabilities to equity
- **Debt plus Employee Liabilities/EBITDA ratio** – proportion of long-term liabilities from issues of bonds plus short- and long-term loans and liabilities to employees to EBITDA
- **Net Debt/EBITDA ratio** – proportion of long-term liabilities from issues of bonds plus short- and long-term loans to EBITDA
- **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 Members of the Management Board

Artur Wasil	President of the Management Board
Adam Partyka	Vice-President of the Management Board, Employee and Social Affairs
Artur Wasilewski	Vice-President of the Management Board, Economic and Legal Affairs
Dariusz Dumkiewicz	Vice-President of the Management Board, Development
Kasjan Wyligąła	Vice-President of the Management Board, Operations

Bogdanka, 22 March 2022



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