

An aerial photograph of a large industrial facility, likely a steel mill, during a sunset. The sun is low on the horizon, casting a warm orange glow over the scene. The facility consists of numerous interconnected buildings, walkways, and a prominent tall structure resembling a blast furnace. In the background, there are green fields and a body of water. The sky transitions from a bright orange near the sun to a pale blue at the top.

H1 2022

Management Board Report on the Activity
of the LW Bogdanka Group
for H1 2022



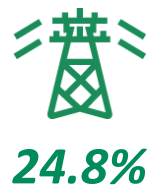
Lubelski Węgiel Bogdanka S.A.

a leader on hard coal market in Poland, standing out in comparison with its peers in terms of financial results, mining efficiency and investment plans including access to new deposits.

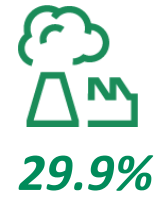
Share in the hard coal market in Poland



Share in the steam coal market in Poland



Share in coal supplies to the commercial power sector in Poland



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01

Operating summary



LW Bogdanka Group's selected financial and operating highlights

OPERATING DATA

7.7 million tons

Gross coal production

5.6 million tons

Production of commercial coal

72.3 %

Yield

5.2 million tons

Sales of commercial coal

18.4 km

New excavations



FINANCIAL DATA

PLN 1,462.6 million

Sales revenues

PLN 414.8 million

Sales profit

PLN 412.0 million

EBIT

PLN 615.4 million

EBITDA

PLN 336.0 million

Net profit



HEADCOUNT

5,749 FTEs

Headcount
as at the end of H1 2022

0.2%

Increase in headcount
from Q1 2022.



Highlights of the first half of 2022

Q1 2022

- outbreak of the armed conflict in Ukraine
- appointment of the Vice-President of the Management Board, Operations

Q2 2022 and events until the publication date

- conclusion of an annex to the multi-year agreement with ENEA Elektrownia Połaniec S.A.
- reduction of the total share of ENEA S.A. in the total number of votes in the Company by at least 1%, as a result of the sale of shares in LW Bogdanka S.A. by ENEA Wytwarzanie Sp. z o.o.
- conclusion of annexes to the Multi-Year Agreement with ENEA Wytwarzanie Sp. z o.o.
- signing of a letter of intent on sale by ENEA S.A. of shares in LW Bogdanka S.A. to the State Treasury
- appointment of the Management Board of LW Bogdanka S.A. for a new term of office
- Ordinary Shareholder Meeting of LW Bogdanka S.A.
- 2021 dividend decision
- updating the production target for 2022 to 9.2 (+/-2%) million tons of commercial coal





02

Organization and activity of
the LW Bogdanka Group





Taking into account the Group's structure and the fact that the basis for the Group's operations and activities is the business conducted by LW Bogdanka S.A. (activities of subsidiary companies are primarily ancillary to the activities conducted by the Parent Company), the descriptions presented in the Report refer also directly to the activities and events taking place within LW Bogdanka S.A. Wherever there are any discrepancies, this is clearly indicated by posting an appropriate description and data.

Lubelski Węgiel Bogdanka Spółka Akcyjna

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Legal form and regulations underlying the Company's activity

LW Bogdanka S.A. is a joint stock company operating on the basis of the law of Poland. The Company operates on the basis of, among others, the following legislation:

- Act of 15 September 2000 entitled Commercial Company Code
- Act of 9 June 2011 entitled Geological and Mining Law

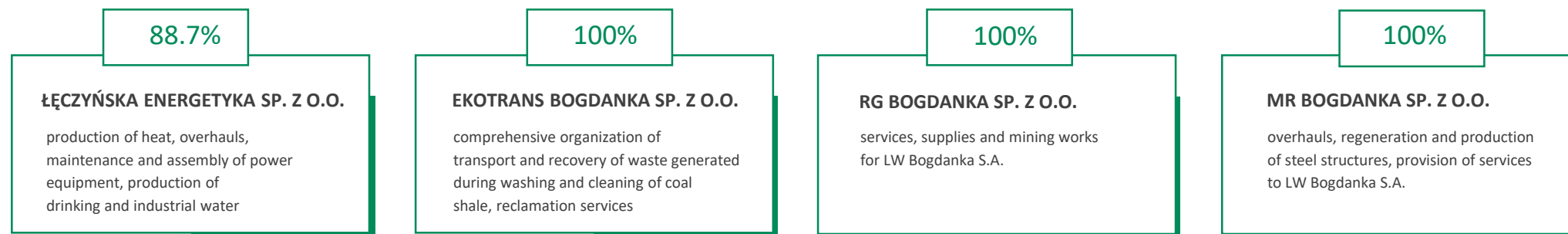
The Company's founder is the State Treasury represented by the State Treasury Minister. The Company may operate in the Republic of Poland and abroad. The Company is established for an unlimited duration.

Historical background

17 January 1975	1 March 1993	29 December 1994	25 June 2009	29 October 2015	17 November 2017	20 December 2019	17 December 2020	18 June 2022
decision made to build a pilot and extraction mine in Bogdanka. Bogdanka was one of 7 mines that were to be built in the Lublin Coal Basin, but due to suspension of the project, it turned out to be the only one	transformation of the state-owned enterprise into a wholly-owned State Treasury company with the business name Kopalnia Węgla Kamiennego "Bogdanka" S.A.	as part of the implementation of the provisions of a bank settlement, as a result of debt conversion, KWK "Bogdanka" SA ceased to be a wholly-owned State Treasury company as new shareholders (creditors) acquired 4.0% of the Company's shares	IPO on the Warsaw Stock Exchange	LW Bogdanka S.A. became part of the ENEA Group	obtaining a concession for hard coal mining from the Ostrów deposit in the Ludwin mining area	obtaining a concession for hard coal mining from the "Lublin Coal Basin – Area K-6 and K-7" deposit in the "Cyców" mining area	adoption of the new LW Bogdanka Strategy until 2030 in response to rapid developments in the domestic and international market in 2020	signing of a letter of intent on the sale by ENEA S.A. of shares in LW Bogdanka S.A. to the State Treasury

Structure of the LW Bogdanka Group

LW BOGDANKA S.A.



As at the date of this Report, LW Bogdanka S.A. also holds 22.41% of shares in Kolejowe Zakłady Maszyn KOLZAM S.A., with the share capital of PLN 750 thousand (bankruptcy proceedings have been discontinued, the company is not conducting any business activity). The title to the shares has been transferred to the Parent Company as security for the financial settlements for performance of transportation services. This company has not been consolidated.

Changes in the LW Bogdanka Group's structure

In H1 2022, there were no changes in the structure of the LW Bogdanka Group or in its organizational and capital relations with other entities. During this period there were no changes in the structure of the LW Bogdanka Group as a result of merger of business entities, takeover or sale of the Group's entities, long-term investments, demerger, restructuring and discontinuation of activity.



Development strategy LW Bogdanka S.A.

On 16 December 2020 the Parent Company announced the document “Key elements of the Development Strategy of LW Bogdanka S.A. in the Mining Area of the ENEA Group until 2030 (with an outlook to 2040) including dividend policy”. The Strategy is consistent with the draft of Poland’s Energy Policy until 2040 and is a link of the Enea Group’s Development Strategy until 2030 with an outlook until 2035 by taking into account, among others, the satisfaction of the anticipated demand for steam coal from the power plants and cogeneration plants included in the Enea Group’s Generation area.

Given the changing market environment and economic situation, the Company is currently in the process of updating its strategy.

Vision

Bogdanka is the performance leader in the mining industry attaining the highest standards of work safety, flexibly adjusting its operations to evolving environmental requirements and market conditions and involved in endeavors aimed at reaching the “green deal” through diversification of its business.



Mission

Bogdanka is a reliable and credible coal supplier for the commercial power sector, which maintains its competitive advantage in a manner ensuring a constant growth in the Company’s value and develops as regards OHS standards, environmental protection and implementation of innovative solutions.

As part of the work on the Strategy, the following two fundamental strategic goals have been specified:

- Maintenance of the leader’s position in the market of the steam coal supply to the commercial power sector in Poland, while effectively competing with import
- Maintaining high production efficiency and profitability due to the application of innovative organizational as well as technical and technological solutions.

Based on the prepared forecasts (draft of Poland’s Energy Policy until 2040, National Plan for Energy and Climate for 2021-2030), LW Bogdanka S.A. will endeavor to remain the most cost efficient producer of steam coal in Poland, which effectively competes with other coal producers and suppliers at the same time maintaining the present production potential until 2040.

In order to implement the aforementioned assumptions, LW Bogdanka S.A. will undertake the following optimization measures:

- a. Increasing the number of products through selective coal mining (type 34),
- b. Expanding business areas (diversification) – leveraging the technical and human potential to undertake effective initiatives outside of core business,
- c. Identifying, appraising and documenting new coal resources (coking coal – type 35),
- d. Implementing own innovation programs (technical-technological and occupational safety solutions) to maintain competitive advantage,
- e. Implementing key strategic initiatives defined for the Mining Area in the Enea Group Strategy.

In executing the aforementioned objectives, the Company intends to leverage its strengths such as:

- Stable sales thanks to long-term contracts with coal buyers,
- Geographical rent – the only mine in the Lublin Coal Basin,
- Low mining costs – the highest cost efficiency in the industry,
- Highly skilled employees and technical culture,
- Optimal utilization of production capacity,
- Ongoing dialogue with the trade unions,
- Status as a listed company.

Production

The Company intends to take advantage of the opportunities offered by its concession to mine coal from the Ostrów, K-6 and K-7 fields.

The Company expects the average production of 9.7 mt in 2021-2025 – during this period only steam coal will be produced.

In 2026-2040, in turn, also coking coal (type 34) will be mined. From 2026 coking coal volumes range from 0.7 to 3.1 mt per annum, with an average of 1.9 mt.

The average total coal production over the period until 2040 will therefore be approx. 8.8 mt. Thanks to longwall strikes of 6-7 km, which are innovative in Poland and common in global mining, the Company expects higher mining concentration and lower mining costs, which will enable it to effectively compete with other coal, especially imported.

Capital expenditures

The average expenditures will amount to approx. PLN 535 million in 2021-2025, approx. PLN 405 million in 2026-2030, approx. PLN 352 million in 2031-2035, and approx. PLN 307 million in 2036-2040. These figures do not include potential expenditures on vertical accessing of the Ostrów Field (PLN 2.1 billion).

Corporate Social Responsibility (CSR)

Due to its very important role in the region, the Company invariably sets as its objective to conduct its business activities in accordance with the corporate social responsibility (CSR) strategy, which includes ensuring the highest level of safety in the workplace, environmental efficiency, protection of local biodiversity, stimulating development and ensuring the safety of the local community, as well as effective management of relations with all stakeholder groups, based on the principles of sustainable development (Green Mine).

Dividend policy

In the medium and long term, LW Bogdanka S.A. wants to remain a dividend payer, and the Management Board’s intention is to apply to the Shareholder Meeting for payment of a dividend of up to 50% of the net profit posted in the Company’s standalone financial statements prepared in accordance with the EU IFRS.

Development strategy of the subsidiaries

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

The Management Board of Łęczyńska Energetyka sp. z o.o. has identified the following strategic objectives for the company to be pursued in the coming years:

- Change in the heat generation method resulting from, among others, the need to ensure an uninterrupted supply of heat to consumers (guaranteeing additional reserve generating capacity to reduce the risk of heat generation interruptions) and gradual abandonment of coal fuel. First of all, it is planned to build two gas cogeneration systems in Łęczna and replace a coal-fired boiler with a gas one in Zawadów in 2022–2023.
- Modernization of the heating main between Bogdanka and Łęczna – the implementation of this task aims at systematic reduction of considerable transmission losses and will additionally allow for protecting the network against corrosion, thus supporting its operation in the following years.

The above investment projects are planned to be executed using the Company's own funds, however in the case of the Bogdanka-Łęczna main, the source of funding may be changed in subsequent years (if aid funds are obtained).

Development strategy MR Bogdanka Sp. z o.o.

The company's strategic objectives are:

- Development of mining machinery production and overhaul capabilities
- Manufacture of general purpose steel structures
- Manufacture and regeneration of bulk products used at LW Bogdanka SA

The company's primary objectives include:

- Conducting and developing capabilities in the overhaul of mining machinery and equipment
- Manufacture of general purpose steel structures while meeting all formal and legal requirements
- Performance of work related to regeneration of bulk products used in the Parent Company
- provision of repair and adaptation services for the office and administrative infrastructure on the surface.

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

The Company plans to conduct post-mining waste management activities in 2022 and beyond. As part of recovery and processing of waste generated in the process of dry and wet processing of hard coal, the company plans to utilize approx. 2.5 mt of waste annually.

Development strategy RG Bogdanka Sp. z o.o.

The Company's main development direction for the coming years is to continue its strategy, i.e. to increase the share of specialist mining work such as excavation of roadways, rebuilding and execution of works with the use of specialist machinery. These activities are aimed at establishing the company's position in the local market. Extension of the scope of activities will ensure continuity of operations and will also allow for professional development of employees through successive improvement of their qualifications. The Company plans to expand its machinery fleet over the long term to ensure independence and the capacity to perform the full range of mining operations.

Investment activities completed in H1 2022

In H1 2022, LW Bogdanka S.A. carried out its scheduled investment tasks. As part of implementation of the investments, expenditures on fixed assets in the total amount of PLN 266,620 thousand were incurred.

The 2022 plan includes the following task groups:

- development and replacement investments – inter alia, purchases of machinery and equipment, their modernization and overhaul, extension of the mine with a new mining field, extension of the Stefanów mining field, extension of the mining waste disposal facility, environmental protection, longwall shearers, central air conditioning in Bogdanka, ICT and strategic initiatives, etc.
- operational investments – including the construction and modernization of excavations in the Bogdanka, Nadrybie, Stefanów and Ostrów fields.

Development and Replacement Investments LW Bogdanka S.A.

Maintenance of machinery

- Purchase of new machinery and equipment subject to assembly – among others air coolers and VSB-1 drilling rig were purchased for the total amount of PLN 1,832 thousand, while PLN 4 thousand was spent on assembly.
- Purchases of finished goods, machinery and equipment – finished goods were purchased for PLN 11,597 thousand. The most important ones are as follows: finished transport equipment (among others: hydraulic and transportation hoists, brake carts, euro pallet transport containers), pumps and hydraulic units, electrical equipment (among others: electric motors, safety device tester, flameproof distribution box, LF1 circuit breaker), and shunting locomotives.
- Modernization and overhaul of machinery and equipment – PLN 5,036 thousand was earmarked, inter alia, for modernization of EL 160 LS dinting loaders and overhaul of PF-4/1032 and PF-4/932 longwall conveyors.

Other development investments

- Expansion of the mining waste disposal facility in Bogdanka – expenditures of PLN 669 thousand were incurred for the purchase of land, a contractor was selected to perform ground works in the Area C Sector V, preparation works for Sector IV for placement of mining waste are underway.
- Central air conditioning of the Bogdanka field – expenditures of PLN 1,449 thousand were allocated for the ongoing modernization of coils in spray and evaporative condensers – stage 1.
- Power engineering, telecommunications and mechanical installations – expenditures of PLN 932 thousand were incurred, among others, for extension of telecommunications and data transmission networks, as well as construction of the main drainage pipeline in shaft 1.2.

- Winding engine switchgear facilities and other power systems – expenditure incurred in the amount of PLN 864 thousand for modernization of the 6kV switchgear in the S 2.2 winding engine building and modernization of the belt conveyor control and signaling system.
 - Replacement investments in the Coal Preparation Plant – PLN 13,770 thousand, as part of the task the following items are being executed: modernization of the steel structures and the facade of the Coal Preparation Plant, modernization of facilities 2.1 and 2.3 – heavy liquid scrubber in progress, modernization of the maneuvering yard next to the truck scales.
 - Switchgear and 110/6 kV substation facilities – PLN 524 thousand; activities executed as part of the task include, among others, modernization of the capacitor bank at the Bogdanka Main Transformer and Distribution Station and the Nadrybie Transformer and Distribution Station.
 - Construction and modernization of core business facilities and installations – PLN 427 thousand was spent, among others, on replacement of wireless communication in shaft 1.4 and a gantry crane in Bogdanka storage yard, extension of narrow-gauge track system, item 990; adjusting shaft 2.2 to human traffic and transportation of materials
 - Others – PLN 24 thousand was incurred for the modernization of the Construction Ceramics Plant.
- ICT – PLN 2,426 thousand was spent, among others, on alarm and monitoring systems, the “Smart Solutions Mine” project and the purchase of computer hardware and systems.
- Administration – PLN 8,000 was spent to purchase equipment for offices and premises.
- Means of transport – 3 passenger cars were bought for a total of PLN 566 thousand.
- Other – PLN 1,903 thousand was spent, inter alia, for the construction of facilities in the Bogdanka field and the construction of a pumping station at the A-46 ditch in Kobyłki.

OPERATIONAL INVESTMENTS LW Bogdanka S.A.

New excavations and upgrade of existing ones

New excavations were completed in accordance with the applicable Mining Work Schedule. The total length of the completed roadway excavations carried out as part of the investments in H1 2022 was approximately 16.9 km (in total 18.4 km) and their value amounted to PLN 185,423 thousand. The modernization of excavations in the form of reconstruction of roadways, reconstruction of vertical excavations and modernization of retention reservoirs was carried out in accordance with the adopted schedules for a total value of PLN 36,406 thousand.

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

The companies from the LW Bogdanka Group incurred expenditures on fixed assets in the amount of PLN 4,960 thousand.

Łęczyńska Energetyka

The investment tasks carried out in 2022 include investments related to generation, transmission and distribution of heat.

In H1 2022, the Company incurred a total of PLN 640 thousand in capital expenditures for, among others, the purchase of goods related to the investments as well as the transmission and distribution of heat.

RG Bogdanka, MR Bogdanka

In 2022, the companies incurred capital expenditures of PLN 4,320 thousand in total. These were expenditures for investments in property, plant and equipment, including lease of a road header (PLN 3,623 thousand).

Investment activities completed in H1 2022

Selected items of capital expenditures in the LW Bogdanka Group

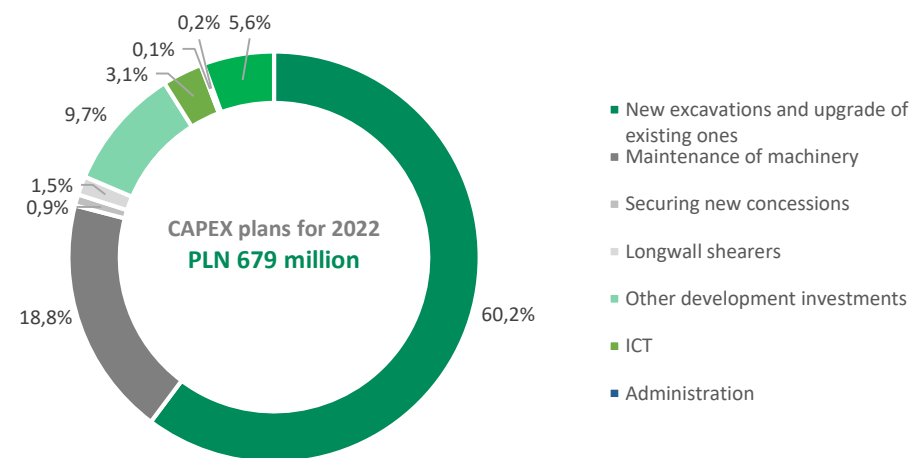
[PLN 000s]	TEP 2022	Performance of TEP H1 2022	Performance of TEP H1 2022 [%]
New excavations and upgrade of existing ones	408,893	221,829	54.3%
Maintenance of machinery	127,827	18,469	14.4%
Securing new concessions	6,000	-	0.0%
Longwall shearers	10,000	2,760	27.6%
Other development investments	65,539	18,659	28.5%
ICT	21,253	2,426	11.4%
Administration	379	8	2.1%
Transport	1,324	566	42.7%
Other	27,985	1,903	6.8%
Total CAPEX in LW Bogdanka S.A.	669,200	266,620	39.8%
Łęczynska Energetyka Sp. z o.o.	6,000	640	10.7%
Other Subsidiaries	3,796	4,320	113.8%
Total CAPEX in the LW Bogdanka Group	678,996	271,580	40.0%

Value of capital expenditures incurred for excavations in H1 2022

Total excavations and works	Depreciation method	Length [running meters]	Value of coal from the excavations [PLN 000s]	Full value of capital expenditures [PLN 000s]	Value of capital expenditures [PLN 000s]
Gate roads	natural	11,797			
Basic excavations	straight-line	4,625	-	221,829	221,829
Reconstructions	straight-line / natural	1,487			

The total length of roadway excavations completed in H1 2022 was 16,909 m. Reconstruction of excavations was carried out according to the adopted schedules. Total expenditures on reconstruction of roadway excavations in this period amounted to PLN 36,406 thousand. The total expenditure incurred on new excavations and modernization of existing ones amounts to PLN 185,423 thousand.

Fractions are not included in the values shown in the table as they are charged directly to expenses. However, they are included in the total length. In this case, this is 487 m.



Price of coal on the international market



CIF ARA coal prices

- 338.0 USD/t – average CIF ARA coal price in Q2 2022 +277.2% vs. Q1 2021 (89.6 USD/t)
- comparing with the average CIF ARA coal price in Q1 2022 (229.6 USD/t) this is an increase of 47.2%
- the average price in H1 2022 was 283.8 USD/t, up 261.8% y/y (78.4 USD/t)

China

- in H1 2022, approx. 2.2 billion tons of coal were produced, i.e. +15.8% vs. H1 2021 (1.9 billion tons)
- in H1 2022 imports totaled 115.0 million tons, down approximately 17.6% from H1 2021 (139.6 million tons)

USA

- in H1 2022 production was 262.2 million tons, down 0.8% vs. H1 2021 (264.4 million tons)
- in H1 2022 consumption was 230.2 million tons, down 3.6% vs. H1 2021 (238.9 million tons)
- exports in H1 2022 amounted to 39.4 million tons of hard coal, an increase of 10.7% vs. H1 2021

Russia

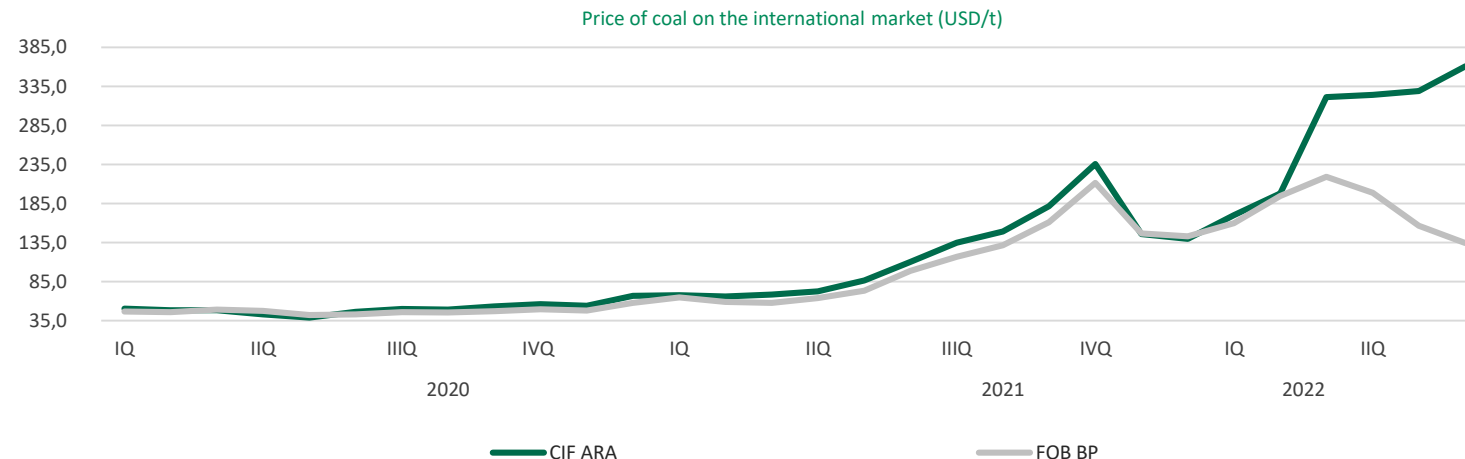
- in H1 2022 production was 208.0 million tons, down 1.9% vs. H1 2021 (212.0 million tons)
- in H1 2022 exports totaled 84.3 million tons, down 19.7% vs. H1 2021 (105.0 million tons)

Inventories in ARA ports

- approx. 6.6 million tons of coal inventories at the end of June 2022 at ARA ports (at the end of March 2022 it was 2.4 million tons)
- increase in inventories due to increased purchases from Russia in connection with a complete suspension of imports from Russia on 10 August

Prices at major ports worldwide

- 163.2 USD/t – average Baltic Ports FOB price in Q2 2022 vs. Q2 2021 (78.7 USD/t) – an increase of 107.4%
- comparing with the average CIF ARA coal price in Q1 2022, i.e. 191.2 USD/t, it decreased by 14.6%
- the average price in H1 2022 was 177.2 USD/t, up 155.0% y/y (69.5 USD/t)



Prices for thermal coal on the domestic market



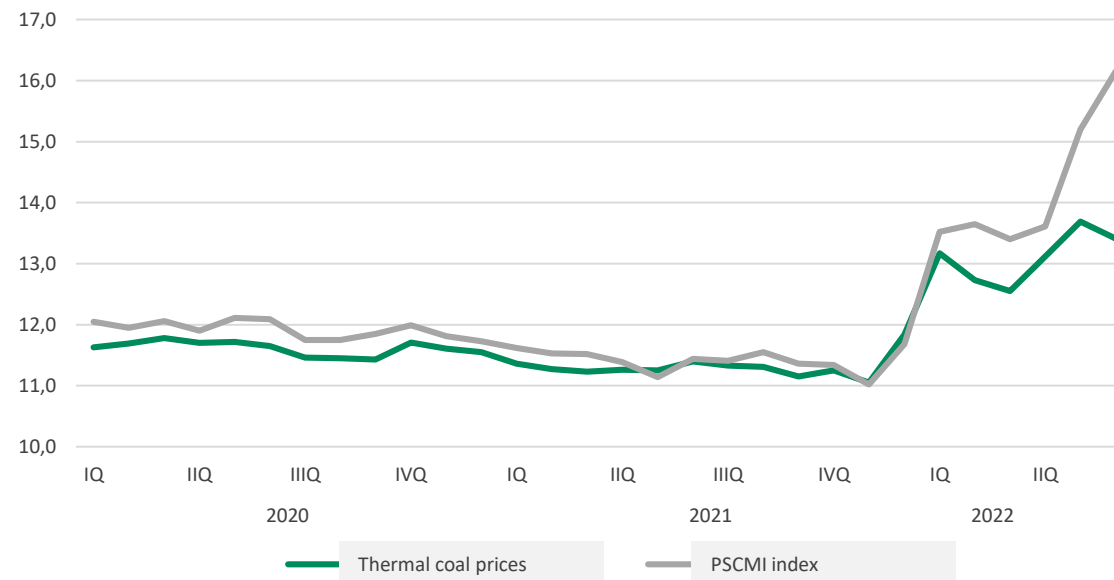
Price of thermal coal

- The average price of thermal coal for the commercial power sector in Q2 2022 was PLN 13.41/GJ, the price growth rate was ca. 18.7% (PLN 11.30/GJ in Q2 2021)
- in H1 2022 (PLN 13.11/GJ) – up 16.0% vs. H1 2021 (PLN 11.30/GJ)
- The average calorific value of thermal coal for the commercial power sector was approx. 21.1 GJ

Prices from the PSCMI index

- The average price from the PSCMI Index in Q2 2022 was approx. PLN 14.99/GJ, compared to the average price in Q2 2021 (11.32 PLN/GJ), the increase was approx. 32.4%
- in H1 2022, the price was PLN 14.26 thousand/GJ vs. PLN 11.44 thousand/GJ in H1 2021, a y/y increase of 24.7%.

Prices for thermal coal on the domestic market (PLN/GJ)



Production, sales and inventories of steam coal on the domestic market



Thermal coal production in Poland

- in H1 2022 steam coal production was 21.6 million tons, up 0.9% y/y

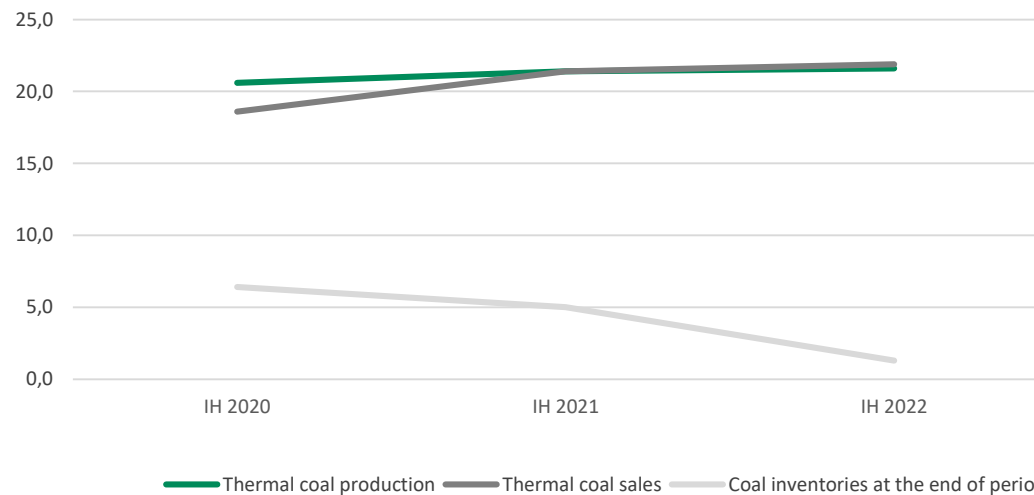
Thermal coal sales in Poland

- the sales in H1 2022 amounted to approx. 21.9 million tons, of which sales to the commercial power sector amounted to approx. 14.5 million tons of thermal coal
- compared to H1 2021, steam coal sales increased by approx. 2.3%.

Coal inventories in Poland

- at the end of H1 2022, thermal coal inventories were 1.3 million tons (5.0 million tons at the end of H1 2021), down 74.0%

Production, sales and inventories of thermal coal on the domestic market (mt)



Production, sales and inventories of steam coal on the domestic market



Key buyers of thermal coal in Poland

The commercial power sector is the main buyer of thermal coal in Poland, buying approx. 14.5 million tons of thermal coal. Top customers in the commercial power sector are:

- Tauron
- PGE
- Enea
- PGNiG
- ENERGA

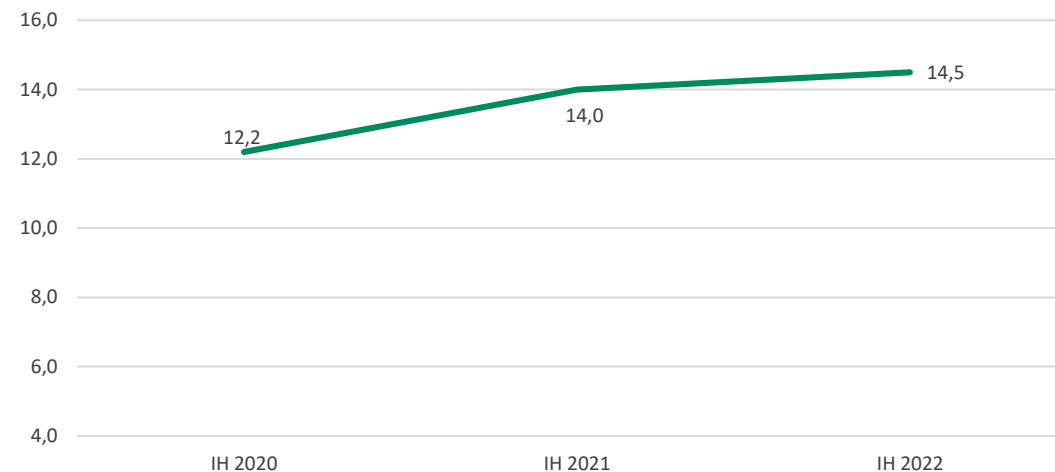
Thermal coal sales in Poland

In H1 2022, approximately 21.6 million tons of thermal coal was sold in Poland. Approximately 20.9 million tons of steam coal were delivered to the domestic market, including 18.3 million tons of thermal coal.

Coal exports

Approximately 2.7 million tons of coal was exported, including approx. 1.0 million tons of thermal coal.

Sales of thermal coal to the commercial power sector (m tons)



Electricity production in Poland



Total electricity production

- in H1 2022 89,117 GWh of electricity was produced, up 6.025 GWh (7.3 %) compared to H1 2021.

Electricity production from coal

- the main fuel used for electricity production was coal, which generated 66,843 GWh in H1 2022, up 937 GWh (1.4%) compared to H1 2021
- in H1 2022, coal was the source of 75.0% of all electricity production in Poland; its share in the fuel mix was lower by 4.3% compared to H1 2021.

Electricity production from hard coal

- hard coal produced 43,176 GWh of electricity (down 3.4% vs. H1 2021)

Electricity production from lignite

- lignite produced 23,667 GWh (up 11.6% vs. H1 2021)

Electricity production from wind power plants

- wind power generated 10,449 GWh, up 54.5% from H1 2021. The share of wind in electricity generation was approx. 11.7%.

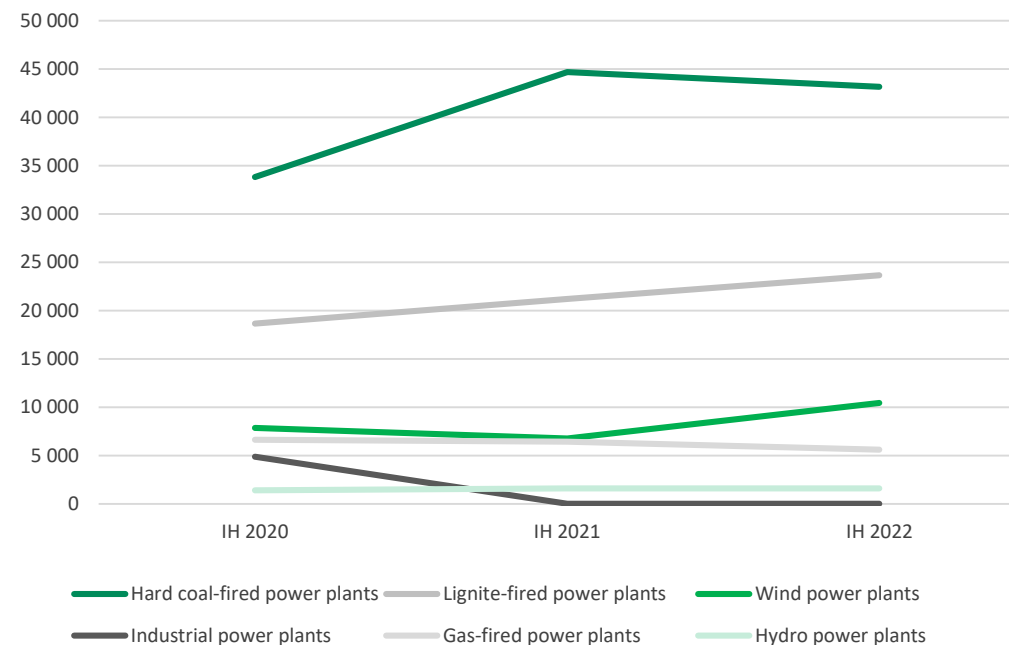
Electricity production from gas-fired power plants

- gas-fired power generation was 5,621 GWh, down 12.7% compared to H1 2021

Domestic consumption of electricity

- 87,409 GWh of electricity was consumed in H1 2022, up 1,044 GWh (1.2%) vs. H1 2021.

Electricity production in Poland (GWh)



Main risks to which the LW Bogdanka Group is exposed, by area

Environment and market

- Risks associated with the socio-economic situation in Poland and globally
- Risk associated with the state's economic policy towards the hard coal mining industry
- Risk related to the prices of energy commodities in Poland and globally
- Risk associated with the specific nature of the mining sector operations and possible occurrence of unpredictable events
- Risk of restrictive EU climate policies on, among others, CO2 emissions
- Epidemiological risk
- Risk related to the armed conflict in Ukraine



Operational

- Risk associated with the launch of production from new deposits of LW Bogdanka S.A.
- Technical and technological risks
- Risk associated with the high cost of the technologies used by the Company
- Risk of IT system failures
- Risk of customer insolvency
- Risk related to the strong position of the trade unions
- Risk associated with retaining and recruiting the Group's personnel
- Key supplier risk
- Risk of supplier price collusion



Financial

- Insurance risk



Environmental Protection

- Risk associated with reclamation and mining damage
- Risk associated with the tightening of standards and regulations on environmental law standards and the obligation to obtain environmental permits
- Risk related to mining waste management
- Investment risk associated with the presence of protected areas



Legal

- Risk of changing tax laws
- Property tax risk in relation to LW Bogdanka S.A.'s mine workings
- Risk of changing the law and its interpretation and application
- Risk of violating stock exchange disclosure obligations
- Risk of prolonging the process of issuing administrative decisions on the conduct of mining operations



Risk related to the Group’s social, economic and market environment

Risk associated with the socio-economic situation in Poland and globally

Factors affecting the financial results of LW Bogdanka S.A.:

- directions and rate of change of domestic and global GDP, including changes in the volume of industrial production
- demand for electricity and heat
- development of renewable energy sources
- climate policy trends in Poland and in Europe
- government plans to expand/modernize Poland’s electricity generation system
- prices of raw materials on global markets, which translates into prices of production inputs
- prices of CO2 emission allowances and the commercial power sector’s pressure on coal prices
- coal exports and imports balance
- inflation rate
- unemployment rate

Countermeasure: monitoring all factors, adjusting operations to the market situation and environment, planning future activities, formulating long-term financial projections, cost control, entering into long-term contracts, taking measures to improve mining efficiency.



Risk associated with the state’s economic policy towards the hard coal mining industry

An important factor influencing the LW Bogdanka Group’s market position is the government’s plans regarding hard coal mining companies and the power sector. On 2 February 2021, “Poland’s Energy Policy

until 2040” was approved by a resolution of the Council of Ministers. It assumes that the Polish economy will still be based on hard coal, but due to the increase in demand for electricity, its share in the production structure will be decreasing. The estimated annual consumption of hard coal for electricity generation will be approx. 56% in 2030, assuming a balanced increase in the prices of CO2 emission allowances. PEP 2040 also assumes that the use of coal for individual heating will be phased out in cities by 2030 and in rural areas by 2040. The presented assumptions are neutral from LWB’s point of view, which should allow the company to maintain its planned production levels in the coming years.



Risk related to the prices of energy commodities in Poland and globally

The prices of energy commodities are influenced primarily by the prices of steam coal and raw materials alternative to steam coal (crude oil, natural gas, renewable sources) on global markets and, consequently, on the domestic market. This is critical to the business conducted by the Parent Company. After a period of rapid increases in global coal prices that began in 2021, in H1 2022 this trend continued, which was directly related to the armed conflict in Ukraine and the sanctions targeting Russia. Moreover, the present demand in the coal market is also connected with the high prices of gas and the resulting uncertainty in the supply of this raw material which translates into significant demand for electricity from coal-fired power generation.

In the domestic steam coal market, after price falls in H1 2021, prices stabilized and then rose dynamically from the beginning of 2022. At present, we can observe

a significant demand for coal in Poland, which is related to a reduction in imports from the East.



Risk associated with the specific nature of the mining sector operations and possible occurrence of unpredictable events

The operational activities of LW Bogdanka S.A. are exposed to risks and dangers arising from the specific nature of operations in the mining sector.

These include, among others:

- events associated with the environment (including industrial and technological accidents)
- extraordinary events, including geotechnical phenomena, mining disasters, fires or working floodings with underground water
- damages caused by mining operations.

The consequences may be as follows:

- temporary interruptions of operations, losses of property and financial assets
- accidents at work, including fatal accidents
- potential legal liability of the Company.

Countermeasure:

- strict compliance with OHS rules
- ongoing monitoring of risks associated with the specific workplaces
- use of prevention.

The following is also important:

- use of modern and reliable mining machinery and equipment to reduce the risk of industrial accidents
- lack of geological disruption and the relatively regular location of the coal seams mined
- relatively low costs associated with mining damage repair, due to the low degree of urbanization of the area where the mine extracts hard coal
- high level of personnel skills.



Risk related to the Group's social, economic and market environment

Risk of restrictive climate policies resulting in changes to applicable law

The EU's restrictive climate policy is leading to a reduction in greenhouse gas emissions, an increase in the acquisition of renewable energy and increased energy efficiency.

In the Polish power generation industry, electricity is produced mainly from coal (hard coal and lignite). Production of electricity or heat from coal involves significant CO2 emissions. Since the beginning of 2021, there has been a significant increase in the price of CO2 emission allowances which continues to remain high in 2022, and translates directly into an increase in the cost of coal combustion.

The above restrictions or imposition of stricter standards or limits on emissions of, among other CO2, SOx and NOx, or other chemical compounds, as well as the continued increase in the price of CO2 emission allowances, can bring about great difficulties in terms of competitiveness and decisions on investment in power or heat generation capacity based on steam coal. As a result of the anti-smog policy, new legal regulations have been enacted on the quality standards of coal sold on the Polish market.

As a result, the above restrictions or plans for further legal changes may cause a further reduction in demand for coal in general or for coal of inferior quality. This may adversely affect LW Bogdanka S.A.'s coal sales and, consequently, have a negative impact on the Group's financial performance.

Countermeasure:

- active participation in consultations conducted by the hard coal industry in Poland to minimize the above risks borne by domestic coal

- producers;
- monitoring changes in the Energy Law or other laws and studying their possible impact on the Group's operations.



Risk related to the armed conflict in Ukraine

The armed conflict resulting from the aggression of the Russian Federation on Ukraine of 24 February 2022 continues to exert strong impact on the social and economic situation, while its economic impact is of global nature. The event also affects the Group. With regard to the impact of the above event on the Group, one should bear in mind, in particular, export sales, the vast majority of which involved coal sales to Ukraine and which accounted for about 5.2% of consolidated sales revenues in H1 2022.

As a result of the armed conflict, coal sales to Ukraine have been significantly impaired. Due to the strong demand for steam coal, the Group redirected the coal originally intended for the Ukrainian market to domestic buyers.

The above event also affects prices and availability of other raw materials that are important for the Group's activities, in particular steel. For the time being, however, this risk is limited due to the active long-term supply contracts and inventories of key materials (including roadway supports), which were built up in advance.

In the longer term, however, this event may have an adverse effect on the Group's operations and financial performance.

Given the above facts as well as the past developments, the Group believes that this event has had no significant effect on the operating activity and financial performance of the Group in H1 2022 and should not have such an effect in the short term. Still, such impact may be felt in the longer term.



Risks directly associated with the Group's operations

Risk associated with the launch of production from new deposits of LW Bogdanka S.A.

An important aspect of the Company's operations is the need to secure future mining opportunities through access to new coal resources.

The decrease in the resource base resulting from ongoing mining, in the absence of new concessions, limits the possibility of more efficient planning of opening and preparation of a deposit for mining, and contributes to shortening the life of a mine or reduction of the level of production and, consequently, the expected financial results in the future.

The opening of new deposits is connected with the necessity to incur additional capital expenditures, in particular for capital excavations. The key issue is to ensure that production efficiency is maintained despite longer transport and haulage routes and reduced effective working hours.



Technical and technological risks

The underground mining of hard coal deposits is a complex process subject to strict technical and technological regimes. In the course of such activities, various downtimes may occur due to scheduled and unscheduled (e.g. breakdowns) technical interruptions. In this group of risks, there is also the risk of unexpected, usually local, deterioration of the quality of the deposit.

Countermeasure:

- availability of infrastructure – two mining shafts
- possibility of transporting the excavated material from the Stefanów field to the Bogdanka field through underground excavations

- underground coal storage reservoir system
- raw coal reservoirs on the surface
- use of modern mining equipment and machinery
- developing solutions to minimize the risk of failures
- research and development to increase productivity and improve workplace safety.



Risk associated with the high cost of the technologies used by the Company

The steam coal mining technologies involve the use of highly specialized machinery and equipment. Due to the global concentration of manufacturers of such machinery and equipment, there is a risk of unforeseen price increases, which might entail an increase in capital expenditures or deterioration of cost efficiency.

There is also the risk of hindered access to unique spare parts necessary to guarantee the continued operation.

Since 2015, mining has started on the seam 391 located approx. 100 m below the seam 382. As the depth increases, the difficulty related to working maintenance intensifies (increase in rock mass pressures), the primary temperature of the rock increases, as do some natural hazards, i.e. those related to water, methane. In 2016, preparations begun to access deposit areas where longwalls with runs of over 7,000 meters had been located. This requires the implementation of technological and organizational solutions to address natural hazards, secure production continuity and OHS. Taken together, this can result in an increase in coal mining costs.

Countermeasure: cost and capital expenditures control, use of highly specialized machinery and equipment, strong working culture with respect to compliance with mining and geological laws and technology, care for the equipment used, scientific and research work, implementing innovative

technologies for improving underground air conditions, implementing the IIoT platform for controlling operating parameters, and continuously analyzing the effective working time of key machinery in the production process.



Risk of IT system failures

Any loss, partial or total, of data related to the failure of computer systems may adversely affect current operations and thus affect future financial results.

Countermeasure:

- periodic audits of IT security
- reviews of authorizations to IT systems
- improving security by continuously monitoring network traffic of potential threats and implementing solutions to impede access and improve security of access to IT systems
- performing secure backups of systems and data, ensuring rapid restoration of systems in the event of failures.



Risks directly associated with the Group's operations

Risk of customer insolvency

The risk of customer insolvency is associated with the general level of current receivables of the LW Bogdanka Group due from its customers and the balance of receivables over the Group's liabilities. The Group's trade and other short-term receivables accounted for 5.4% of its balance sheet value and 18.7% of its sales revenues in H1 2022. Trade receivables accounted for 92.2% of total trade receivables and other short-term receivables.

Countermeasure:

- monitoring of outstanding amounts due from the business partners for products sold
- analysis of credit risk for the key business partners on a case by case basis or as part of specific classes of assets
- executing transactions with business partners whose reliability has been confirmed only.



Risk related to the strong position of the trade unions

In the hard coal mining sector, trade unions hold a significant position and play an important role in shaping the personnel and payroll policy, often forcing renegotiations of the payroll policy using protests. As at 30 June 2022, there were six trade union organizations active in the Group (of which, at LWB, there were four trade union organizations representing approx. 61.06% of the workforce). The strong position of the trade unions gives rise to a situation in which there exists a risk of increasing salaries under the negotiated salary agreements in the future, which consequently may adversely affect

the financial performance of the LW Bogdanka Group. Furthermore, potential protests and/or strikes organized by the trade unions operating in the Group may have an impact on the operating activities of the LW Bogdanka Group.

Countermeasure:

Ongoing dialogue and holding periodic negotiation meetings with the trade union organizations.



Risk associated with retaining and recruiting the Group's personnel

The labor market is now a worker's market, which promotes the fact that employees can easily switch to a more attractive position. In addition, due to the policy of decarbonizing the economy, the mining industry is becoming unattractive to potential job candidates. Failure to provide competitive employment opportunities and maintain salaries at market standards will result in the loss of highly qualified employees.

Countermeasure:

Building generational continuity, working with local vocational schools, implementing development programs, providing employees with opportunities for advancement and development within the company's structures, building a friendly corporate culture. Development activities of management skills of managers and supervisors.



Key supplier risk

The specific nature of the business requires the use of technologies that often involve the use of highly specialized machinery and equipment and the use of specialized services. Thus, there is a potential risk of problems in finding suitable suppliers, as well as the risk that suppliers default on their contracts. This also

applies to contractors for specialized mining services, as there may be dependence on these entities due to their small number in the Polish market.

Countermeasure: assessment of potential risks associated with the conclusion of contracts with suppliers in terms of performance of contracts and possibility of starting cooperation with other suppliers. In addition, a performance bond is required to secure the performance of contracts subject to increased risk.

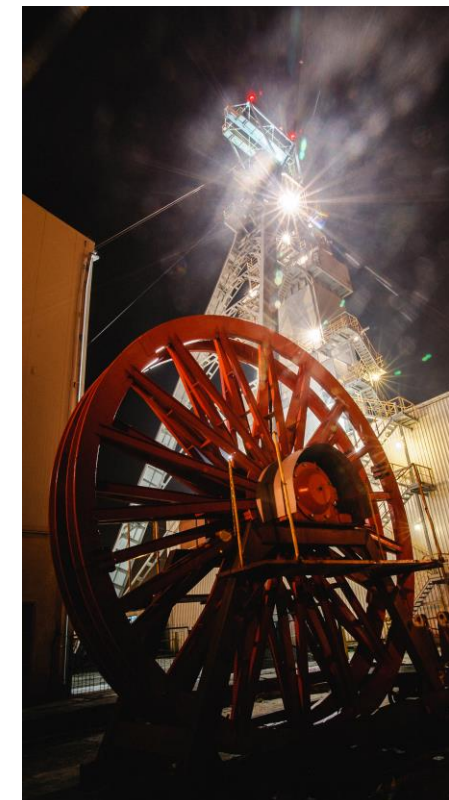


Risk of supplier price collusion

The requirement for highly specialized products and services and the legal aspects that must be met in order for such products and services to be considered appropriate carry the risk of price collusion. Thus, there is a potential risk of a group of suppliers agreeing on commercial terms that may be offered to LW Bogdanka S.A.

Countermeasure:

- ongoing market monitoring and new supplier acquisition
- periodic analysis of contract prices and assessment of market trends
- searching for replacement products.



Financial risks and environmental protection risks

Insurance risk

The Group is exposed to insurance risks, both to the standard extent applicable to all business entities, as well as to the extent typical of entities in the mining industry arising in particular from risks accumulated in the underground mine area. Given the significance of the risks to which the Group is exposed, where particularly justified, these risks are transferred externally on the basis of insurance contracts concluded. The Group has insurance coverage for underground property, surface property and business third party liability as well as for other, less significant risks. Given the upcoming expiry of property and liability insurance policies, the Group has already initiated efforts to renew coverage for another period of three years.

As a result of recent extensions of insurance coverage, its quality with respect to risks on the mine surface has been significantly improved by extending coverage to include the risk of business interruption. In addition, the Group is systematically taking actions to reduce its exposure to data protection risks.



Risk associated with reclamation and mining damage

The LW Bogdanka Group is responsible for reclamation of post-mining areas and removal of mining damage. The existing standards regarding reclamation and removal of mining damage may change in the future and greater severity is anticipated in this respect.

Countermeasure: repair works, preventive protection of buildings against the effects of mining damage and reimbursement to investors of costs of adapting new buildings constructed within the mine site, ongoing dialog with the local community. Advance inventory

of construction facilities to eliminate unjustified claims. Ongoing monitoring of land subject to mining impact. Meetings of the Consulting Team for periodic assessment of impacts of mining operations on the land surface within the borders of Cyców, Ludwin and Puchaczów townships organized by the Director of the Mining Authority twice a year. Consistent execution of drainage hydrological works and land reclamation in the affected area.



Risk associated with the tightening of standards and regulations on environmental law standards and the obligation to obtain environmental permits

The activities of LW Bogdanka S.A. exert a significant impact on the environment. Accordingly, it must hold certain permits and comply with regulatory standards for the use of the environment (including the BAT requirements of BAT [Best Available Techniques]).

These pertain in particular to:

- water and sewage management
- waste management
- emissions of substances and noise into the air
- use of natural resources.

Countermeasure: The Company monitors regulations on an ongoing basis and adjusts its operations as necessary within statutory deadlines.



Risk related to mining waste management

The Company produces large quantities of mining waste. Mining waste is processed (recovered) and stored in the mining waste disposal facility in Bogdanka. Approx. 50% of waste is processed and 50% is kept in the facility.

Based on a construction permit, the Company is conducting works to increase the current spoil tip (to 250 m a.s.l.) and to enlarge the spoil tip in the eastern part. It has also taken steps to acquire adjacent land

for further expansion, and another permit has been obtained for the expansion of the mining waste facility in the south-eastern part, which will secure waste storage for the next 6-7 years. Further actions are being taken to acquire more land to expand the facility.

Failure to complete this investment will entail the risk of undermining the stability of the mining process and the need to seek alternative methods of mining waste management.

Countermeasure: the Group has been carrying out works to elevate and expand the existing mining waste facility. It has also continued efforts to acquire further land for the upcoming stages of spoil tip expansion.

The Parent Company takes intense efforts to recover and manage the mining waste.



Investment risk associated with the presence of protected areas

The mine is located close to protected areas (a national park, landscape parks, protected landscape areas, wildlife corridor, as well as two Natura 2000 areas located partially in the mining area and three in close proximity to the mining area). All planned investments must be analyzed in terms of their potential negative impact on protected areas.

There is a risk that in case of undertaking investment activities, certain obligations or stricter requirements may be imposed on the mine with a view to reducing negative environmental impacts. Such investment restrictions may require higher capital expenditures and hence may affect the financial result.

Countermeasure: ongoing monitoring, adjusting operations to meet the requirements and obligations.



Risks relating to proceedings and the legal environment

Risk of changing tax laws

Lack of stability and transparency in the Polish tax system, resulting from the changes in regulations and inconsistent interpretations of the tax law, can cause uncertainty in the final results of financial decisions. Continuous revisions of tax laws and also strict sanction regulations are not incentives to take such decisions. Volatility of regulations and sometimes even of interpretations thereof may entail occurrence of any types of risks.

Consequently, the amounts stated in the financial statements may change at a later time, upon their final determination by the tax authorities.

Countermeasure:

- monitoring the changing tax laws
- training for employees to make sure they are as competent as possible in this area
- thorough analyses of any emerging tax issues, including by relating them to recent tax interpretations and court rulings on similar issues, requesting individual tax interpretations
- cooperation with advisory companies
- performance of the Transfer Pricing Policy which sets forth the terms and principles of setting prices for transactions executed within the Group
- application by the Parent Company of a tax strategy as referred to in Article 27c of the Act on Corporate Income Tax.



Property tax risk in relation to LW Bogdanka S.A.'s mine workings

In line with the adopted strategy, until 2019 the Parent Company did not include in its property tax declarations the value of underground mine workings together with the infrastructure located in these

workings as the taxable item for the purposes of this tax. During 2019, with a view to protecting the Group against potential negative consequences, i.e. interest on unpaid property tax, the Group decided to include the value of underground mine workings with their infrastructure. It appears that the risk has been significantly reduced.

Countermeasure:

- monitoring the changing tax laws
- training for employees to make sure they are as competent as possible in this area
- thorough analyses of any emerging tax issues, including by relating them to recent tax interpretations and court rulings on similar issues



Risk of changing the law and its interpretation and application

The laws in Poland change quite frequently. Interpretations of the law and the practice of applying it also are subject to change. Changes to interpretation of tax regulations are particularly frequent. Practices of tax authorities and judgments handed down by courts in cases related to taxation are not uniform. The adoption by the tax authorities of an interpretation of tax law different from that adopted by the Group or introduction of new requirements by the Mining Law may imply a deterioration of its financial position and, as a result, adversely affect the Group's results and development prospects.

Countermeasure:

- using the services of legal advisors and advisory companies, as well as consulting a variety of offices specializing in the topics under analysis
- if applicable, the Group also requests binding interpretations of the law.

In spite of the efforts undertaken it is not possible to fully eliminate the risks although the Management Board believes that the risk is significantly mitigated.



Risk of violating stock exchange disclosure obligations

As the shares in LW Bogdanka S.A. are listed on the Warsaw Stock Exchange, the Company is subject to a number of obligations which, in case of failure to perform or improper performance, may entail significant fines.

Countermeasure: proper performance of the obligations including prior implementation of internal procedures for exchange of stock exchange information in LW Bogdanka S.A., as well as ongoing monitoring of the Company's operations in terms of information duties.



Risk of prolonging the process of issuing administrative decisions on the conduct of mining operations

As other mines, LW Bogdanka S.A. carries out the mining operations based on the Mine Operation Plan approved by the Director of the Regional Mining Authority. The current Operation Plan covers the years 2020 - 2022 and has been subject to numerous updates in connection with the changes in circumstances arising during the operations. An update to the Operation Plan in the form of a Supplement is approved by means of an administrative decision subject to the same principles as the Plan. In early 2022, the Company was informed that one of the social organizations, which indicates in its statutory objectives the protection of nature, landscape and the environment, had applied for admission to participate in the administrative proceedings for updating the Operation Plan currently in effect. An intervention by social organizations which are negatively inclined towards the Company in the procedures regarding approval of updates of the Operating Plan entails the risk that this process will be prolonged, and thus may have the effect of

obstructing the mining operations covered by the Supplement. To mitigate the above risk, the Company conducts educational and informational activities regarding the impact of mining operations on the environment, as well as relies on the support of reputable law firms to conduct the proceedings.



Changes in headcount

Headcount in the Group

In H1 2022, there was a 0.9% reduction in the Group's headcount (compared to H1 2021). The highest increase in the number of FTEs was achieved in MR Bogdanka sp. z o.o.

Headcount in the Parent Company

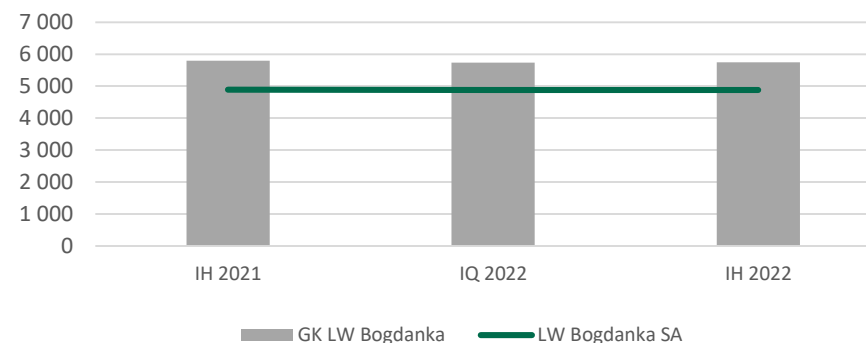
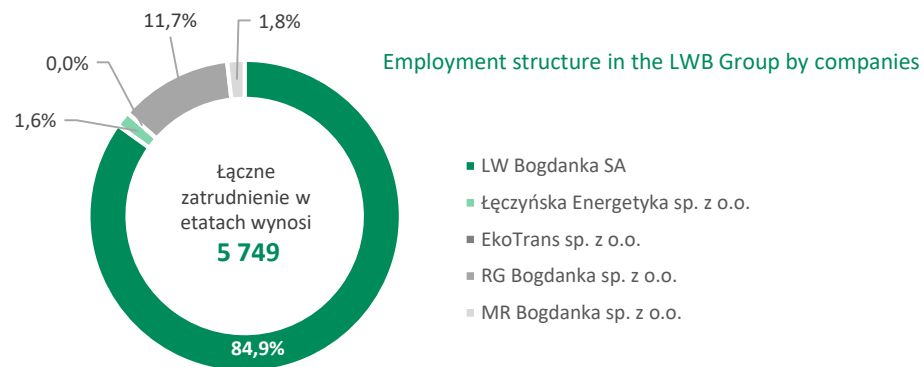
At the end of H1 2022 the Parent Company employed 84.9% of the Group's total workforce.

Blue-collar workers accounted for 82.4% of the total workforce. Compared to H1 2021, the number of underground workers decreased by 0.6%.

The employees working underground constituted the core group of employees at LW Bogdanka S.A., i.e. 72.6%.

In H1 2022, 54 people were hired by LW Bogdanka S.A., while 69 people left the Company in the same period.

Headcount in FTEs	30.06.2021	31.03.2022	30.06.2022	Employment structure in the Group	Change H1 2022/ H1 2021	Change H1 2022/ Q1 2022
Total						
Total workers	4,099.0	4,030.0	4,020.0	-	-1.9%	-0.2%
Underground employees	3,139.0	3,082.0	3,065.0	-	-2.4%	-0.6%
Surface employees	960.0	948.0	955.0	-	-0.5%	0.7%
Full-time underground employees	425.0	469.0	476.0	-	12.0%	1.5%
Full-time surface employees	368.0	375.2	383.2	-	4.1%	2.1%
Total underground	3,564.0	3,551.0	3,541.0	-	-0.6%	-0.3%
LW Bogdanka S.A.	4,892.0	4,874.2	4,879.2	84.9%	-0.3%	0.1%
RG Bogdanka Sp. z o.o.	731.9	688.8	669.8	11.7%	-8.5%	-2.8%
MR BOGDANKA Sp. z o.o.	79.5	76.5	105.5	1.8%	32.7%	37.9%
EkoTrans Bogdanka sp. z o.o.	2.0	1.00	1.0	0.0%	-50.0%	0.0%
Łęczyńska Energetyka Sp. z o.o.	94.0	94.3	93.0	1.6%	-1.1%	-1.4%
LW Bogdanka Group	5,799.4	5,734.8	5,748.5	100.0%	-0.9%	0.2%



Sustainable Development

The overriding values guiding the LW Bogdanka Group are honesty, professionalism and responsibility.

These values ensure the harmonious development of the Group, which pursues its business objectives in harmony with social expectations and environmental requirements. After 4 years of implementation of the “Social Responsibility Strategy for 2018-2021”, following a series of dialogue sessions with the Company’s key stakeholders based on the AA1000 standard, the Company achieved most of its targets, maintaining its position as a leader in sustainable development in the Region.

As part of LW Bogdanka S.A.’s business activities focused on sustainable development goals, as well as in connection with the completion of the Social Responsibility Strategy for 2018-2021 and plans for continuous improvement, thus increasing the Company’s involvement in the development of the organization and the local environment in economic, social and environmental aspects, a decision was made to develop and adopt an ESG Strategy for the Company, which will be implemented as an integral part of LW Bogdanka S.A.’s business strategy. The ESG Strategy will focus on the same areas, but with a focus on environmental, social and governance (ESG) factors, taking into account the perspectives of various stakeholder groups, legal conditions, market trends and a long-term plan for the so-called just transition and challenges facing the mining industry. The ESG strategy is expected to be adopted in Q4 2022.

Environmental issues [E - Environmental]

Mine close to nature

Sustainable development of LW Bogdanka S.A. means prioritizing environment protection and taking care of environmental aspects. Understanding its location in a valuable natural area, in the vicinity of Polesie National Park and other protected areas, the Company implements numerous projects that reduce negative environmental impact and other, indirect effects of its industrial activity, such as emissions, and water and materials consumption. The size and scale of the environmental impact depends largely on the mining technology the mine uses and how environmental issues are managed within the company. Effective environmental management is based on the Integrated Quality, Environmental and OHS Management System. It is compliant with the standards PN-EN ISO 9001:2015, PN-EN ISO 14001:2015, PN-N-18001:2004 and, additionally, in the area of occupational health and safety, with the UK BS OHSAS 18001:2007 standard.

Establishment of the Scientific Council for Environmental Protection

In June 2022 Bogdanka established an innovative advisory board to support the Company in the transformation process. It will make the mine the most efficient not only in terms of production, but also in terms of environmental investment. Members of the Council are prominent scientists, in addition to representatives of the local environment, especially academic centers, local government institutions or NGOs. They work on a voluntary basis for the benefit of local nature – the unpaid participation in the Council is to ensure its credibility and independence. The Council will meet at least twice a year, and its decisions will be made in the form of opinions and recommendations of an advisory nature, so that Bogdanka’s management

will have the opportunity to take them into account when making business decisions.



Lake District safer for Aquatic Warblers

In early 2022, a 4-year project of cooperation with the Polish Society for the Protection of Birds (OTOP), entitled “Protection of peat ecosystems of the Łęczynsko-Włodawskie Lake District”, was completed.

Its goal was:

- strengthening the migration corridors of the Aquatic Warbler metapopulation by connecting stable source populations with ephemeral estuarine populations through regional ecological corridors
- creating and maintaining a system of ecological corridors - chains of bridges between the areas occupied by the Aquatic Warbler
- reinforcing the main ecological corridors: south-central and eastern through implementation of renaturalization measures related to restoration of the original water level and restoration of the habitat structure suitable for the Aquatic Warbler.

These measures were planned in the areas of historical, current and potential occurrence of this species, selecting 3 locations: Holeszów (Hanna Commune, Włodawski County), Kamień (Kamień Commune, Chełmski County) and Krychów - Krowie Bagno (Hańsk Commune, Włodawski County). Thanks to the Company’s commitment it was possible to:

- prepare applications for issuing decisions on environmental conditions
- sign agreements with owners of the land constituting the Aquatic Warbler’s habitat
- prepare tenders
- prepare pre-design documentation for dam facilities
- perform ornithological monitoring
- prepare recommendations for the use for 10 sites where no levees have been constructed
- organize a conference
- prepare promotion of the activities in industry media and social media
- In addition, construction work was successfully carried out in Holeszów.

OTOP’s cooperation with LW Bogdanka S.A. was a component of a larger project that OTOP is implementing with funding from the European Cohesion Fund under Measure 2.4, Priority Axis II of the Operational Programme Infrastructure and Environment 2014-2020, entitled “Strengthening the south-eastern metapopulation of Aquatic Warbler *Acrocephalus paludicola* in Poland”.



Environmental issues

[E - Environmental]

Investing in sustainable development education

“ŁęcznaLAB” - is a continuation of the successful cooperation with the Łęczna Municipality and the Landscapes Foundation, under which, in dialogue with the inhabitants, local government, and experts, 6 tasks are carried out, including: “Urban Greenery - Meadows” - which involved the creation of flower beds and honey meadows, including 5 themed micro-meadows, together with local organizations and groups. In another of the tasks: “Spatial Culture/Functional Greenery,” the second stage of revitalization of Miner’s Square was implemented, and a cultural corner was created at the neighborhood Cultural Center. In addition, the cooperation brought the building of a sensory playground in the Podzamcze Park and “Psistanek” where activities with a behaviorist were organized. In June, in the renovated Miner’s Square, a field game was arranged, through which children and educators were shown that the urban landscape has potential and can serve residents for educational and recreational purposes.



Education and active protection with the Foundation for Nature

This is already the third year of Bogdanka's cooperation with the Lublin-based Foundation for Nature, which specializes in active protection of fauna and innovative methods of environmental education for children and young people.

Two tasks will be implemented in 2022:

- a) Rare and vanishing animal species of the Lublin

region - involving the monitoring of breeding sites of the Great Grey Owl within the Poleski National Park and active protection of this species by creating additional nesting sites.

In order to better understand the behavior of this species, the following efforts are planned: ringing, installing GPS/GSM transmitters and cameras at the nests.

- b) “Wandering of Lublin Cranes” - whose main goal in 2022 is to find and secure min. 10 crane nests and monitoring of chicks to eliminate threats from predators and humans.

New project with the Birds Horizons Foundation

As part of its support for biodiversity, the Company has undertaken cooperation in the implementation of an ongoing environmental protection project focused on active bird protection, carried out under the name “Birds Horizons - active protection of endangered bird species in the Polesie Lubelskie region” until 2024. The cost of the project is mostly financed by the European Economic Area Financial Mechanism Funds. The project is being implemented in partnership with the Poleski National Park.

The task involves active protection of endangered species of Charadriiformes, i.e. the black-tailed godwit, the Eurasian curlew, the common tern and the little tern nesting in Polesie Lubelskie. Recent studies show that the number of these bird species, both in the Polesie region and in Poland as a whole, is declining at a very fast rate, mainly due to factors interrupting the breeding of these birds, i.e. floods, corvidae, predators and unconscious human activity leading to the destruction of birds' eggs or preventing them from nesting by scaring off adults.



Environmental efficiency of the mine

We intend to remain one of the most modern and efficient mines in Poland and Europe. We enhance our efficiency and develop and invest in innovative solutions that will pay off with increased environmental efficiency. One of the pillars of the current development strategy is a commitment to climate and environmental efforts, including:

- sustainable use of spoil tips
- development of technology for utilization of mine waste
- supporting the local natural environment
- just transformation of mining areas.



As part of R&D cooperation the following projects are implemented:

- Sustainable use of post-mining spoil tips
- MINRESCUE - from mining waste to valuable resources;

The leader of both projects is the Central Mining Institute. The knowledge gained from the projects will allow the Company to implement more effective activities related to circular economy, including maximizing the management of waste rock as a by-product of coal production, as well as identifying ways to optimize the use and long-term management of post-mining sites.

By actively using and developing these sites, the financial burden of managing and monitoring them can be reduced.

Potential uses for the heaps include: building renewable energy installations such as photovoltaic panels or wind turbines.

In addition, all processes, including administrative ones, are analyzed to reduce environmental impact:

- work is underway on a new, efficient Electronic Document Circulation
- processes are being digitized, taking into account the environmental impact
- climate factors are taken into account in our business decisions, including purchases.

Methodology for measuring carbon footprint

In 2021, a specially appointed interdisciplinary team of experts began work on developing a methodology and calculating the carbon footprint of the LW Bogdanka Group and our three products – total steam coal, thermal coal and mining waste. We want the work to result in a methodology that is tailored to the Group’s individual needs, but at the same time based on recognized standards for measuring carbon footprints. Based on the base year calculations, plans will be made to reduce the carbon footprint in all aspects of the company, as well as in the value chain.



Bogdanka initiates the Łęczyński Energy Cluster

An important event took place during the Three Seas Local Government Congress, which took place in Lublin in June, with the signing of a letter of intent regarding the creation of the Łęczyński Energy Cluster.

Nine entities are signatories - the newly formed Cluster includes the Bogdanka mine, the mining municipalities of the Łęczyński county, Świdnicki county, the city of Łęczna and the Lublin University of Technology. The main tasks of the Cluster will be to develop the power sector and supply energy to local consumers.

Social issues [S - Social]

Development of the local community

Bogdanka strives to be a good neighbor for local stakeholders. We support our immediate surroundings and the local community, e.g. by funding a number of social projects and initiatives aimed at developing the cultural, scientific, educational and health spheres, building the municipal infrastructure, and addressing other needs of the local community. Initiatives in which the Company has been involved include the organization of winter holidays for children and young people from the Urszulin Municipality and the provision of teaching aids to schools. We focus our activities in the Lubelskie Voivodship in accordance with LWB's Social Involvement Policy.



40 years of mining

2022 is a special time for Bogdanka celebrating 40 years of mining. A team appointed by the President of the Management Board prepared a series of events carried out as part of the jubilee. Celebration of such an important anniversary includes not only galas and feasts, but also environmental education meetings, exhibitions, shows, scientific conferences and Łęczna's first mural to be created in the second half of the year with so-called anti-smog paints.



Bogdanka Socially Committed

It is a program that addresses the needs of the Company's socially engaged employees. Since the beginning of 2022, 22 applications have already been received for initiatives important to local community groups. The Program aims to improve the quality of life of the local community, strengthen social ties and increase the involvement and activity in the social sphere regardless of age. The initiatives are evaluated by the team and then forwarded to the Vice President for Labor and Social Affairs for approval.

Active in Bogdanka - work-life-balance

For another year now the employees of the LW Bogdanka Group could submit their passions in the Active in Bogdanka program. The program is addressed to all Group employees who would like to present their non-work activities. This year, 29 candidates have already applied. The program has become a recognized part of the Company's support of its employees. Among the submitted activities there is sport, art, environmental activities, beekeeping, restoration of classic cars and upholstery.



Second edition of Cultural Scholarships

Bogdanka's Cultural Scholarships in Hatka Żaka is a scholarship program aimed at supporting the activities of young artists and culture managers from the Lublin region, which was implemented as part of the Social Involvement Policy of LW Bogdanka S.A., in cooperation with the Chatka Żaka Academic Centre of Culture and Media of the Maria Curie-Skłodowska University in Lublin. In 2022, a record number of applications - 60 - were received. 20 scholarships were awarded for activities related to the following fields: music, dance, theater, film, visual arts (including painting and graphics). The total amount of the scholarship budget has been increased to PLN 100,000. The projects will be implemented by December 2022.



Innovation Architect 2022

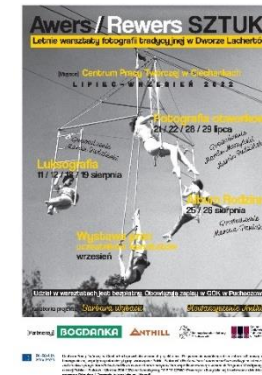
The competition was aimed at high school students to select the most interesting invention projects, and technical or digital solutions. Bogdanka became a partner in the project due to the fact that activities in the field of promoting innovation and entrepreneurship are priorities of the Social Engagement Policy.

Charitable auctions

LW Bogdanka S.A.'s employees engage in many charitable activities for the benefit of those in need. In 2022, the Company supported activities for 5 sick children.

Partnerships with local governments

Continuous dialogue and efforts to support the development of the local community have resulted in partnership agreements in the area of corporate social responsibility with Local Government Units close to the Company. Within the framework of cooperation with the Łęczyński County, the following tasks will be implemented: promotion of localism, artists, tourism, as well as counteracting social exclusion, and environmental and cultural education. The summer photography workshop, in turn, is an idea to animate a new place on the map of Puchaczów municipality - the Lachert Manor House. The activity was prepared by the Anthill Association, while the initiators were LW Bogdanka S.A., which invited the Municipal Cultural Center and the Municipal Public Library in Puchaczów to cooperate. The project brings together the art community and the local community. The Manor House - Center for Creative Work is filled with the atmosphere of its interwar owners and fits into the ideas behind the project's main assumptions. The workshop is conducted in small groups in 3 modules: pinhole photography, luxography and creation of an original family album by the participants.



Social issues [S - Social]

“Solidary Miners” Foundation

The “Solidary Miners” Foundation at the LW Bogdanka Group is in line with the needs of the Group's mining environment and the local community, providing assistance to miners in need (e.g. after accidents), as well as to their families who, for various reasons, are in a difficult life situation, especially those who are in poverty or need immediate support. The Foundation is also not indifferent to the needs of children from dysfunctional and poor families. It supports and promotes the development of talented youths in the local community. Since the fall of 2016 the Foundation has had the status of Public Benefit Organization, which confirms its strong commitment and effectiveness in achieving socially-beneficial goals. Thanks to this status, taxpayers may donate 1% of their tax to the Foundation.



On average, more than 70% of the aid granted is related to improving the health of employees and their families - treatment, rehabilitation and purchase of medical equipment. The Foundation is increasingly providing assistance to mine pensioners. Social assistance applies most often to the families of miners who have suffered serious or fatal accidents and to pensioners. Education and health care grants are primarily related to assistance to facilities, associations and other institutions of social importance. The beginning of 2022 was a challenge for the Foundation, as it coordinated a wide range of humanitarian aid directed to war-affected citizens of Ukraine.

Bogdanka for Ukraine

The organization of an aid campaign resulting from the ongoing armed conflict taking place on the territory of Ukraine started in the Company immediately after receiving the information about the start of the war. Assistance for Ukrainian Refugees and those remaining in Ukraine was envisaged as a package of activities closely related to the Company's social involvement policy as part of its corporate social responsibility. The initiative involved close cooperation with aid institutions, with volunteers and with local governments. It covered material and financial assistance in multiple areas.

Special-purpose donation

In an effort to respond effectively to the situation in Poland i Ukraine, the Company's Management Board made a special-purpose donation of half a million Polish zloty to the Solidary Miners Foundation. The donation was disbursed both to help refugees residing in the Lublin region and for transports to Ukraine. Several cash donations were also made to aid organizations, and the LW Bogdanka S.A. donation fund simplified the procedure for making in-kind donations for heating purposes of refugee stay centers.

Collection of donations

The main collection of donations was carried out at the Canteen in Bogdanka, but the mining fields in Nadrybie and Stefanów also had their collection points. The Company's employees also donated supportive meal vouchers worth more than PLN 60,000, which allowed for regular food deliveries to temporary stay centers and to Ukraine, to cities affected by the armed conflict. Our partner, PHU Górniki, has waived the commission.

Meals

Every morning, a group of volunteers prepared 500 sandwiches each in a room set aside by PHU Górniki. A total of 7,500 sandwiches were made and transported by volunteers to the border in Dorohusk and distributed to refugees.

Donations from Enea

Donations received from other Enea Group companies included mainly medicines, medical supplies, sleeping bags, powerbanks and sleeping mats. As part of implementation of the refugee support program, they were distributed and transported to Ukraine.

Accommodation for refugees in LW Bogdanka S.A.'s resort

Forty temporary accommodation places for refugees have been prepared. By communication with the Lublin Voivodeship Office, families fleeing the war provided with accommodation. Support was given to mothers with children, their grandmothers, who received psychological, medical and legal assistance. The resort is located in a forest where those staying try to regain tranquility. School-age children and youths have started school. In addition, Polish language lessons were organized for everyone. Volunteers helped with daily errands, but also with job searches for female residents of the center. The Bogdanka-run center accepted refugees from March to August 2022.

Transporting refugees from the border

The Lublin Voivodeship Office and a number of local governments have been provided with vehicles from transport companies which provide daily transport services for LW Bogdanka employees. From border crossings with Ukraine and from reception points in Chełm, Zamość, Tomaszów Lubelski and Hrubieszów refugees were transported free of charge to cities such as Warsaw and Kraków.

Braziers

During the winter, the services at border crossings requested braziers. In response to the appeals, as part of a grassroots idea put forward by one of the employees, MR Bogdanka sent its employees to prepare 50 braziers, which were delivered to previously selected locations at border crossings.

Volunteers

The employees of our Company immediately responded to the appeal for voluntary actions and involvement in helping those already staying in Poland. The employees themselves organized trips to the border in Dorohusk and Zosin to help people entering Poland. They delivered shipments of donations - mainly food, water, and basic hygiene supplies. The Company also donated clothing from its inventories (e.g. socks, T-shirts, flip-flops, towels) for refugees by prior arrangement with the Supply and Warehouse Department. This ensured that shipments were prepared according to the needs of the relief organizations. Some of them were delivered to the border and some were used in LW Bogdanka S.A.'s resort designated to help refugees from Ukraine in need.



Corporate issues [G - Corporate Governance]

All operations undertaken by the Company comply with the law and internal regulations. Compliance management at the Company covers three areas – compliance of operations with generally applicable laws, compliance with the Company's internal acts, and compliance with ethical standards. The Compliance Policy Department monitors ongoing compliance with the law and responds promptly if irregularities arise. In addition, since 2020, the company has had a Compliance Policy in place.

The key compliance documents at LW Bogdanka S.A. are:

- Company's Articles of Association
- Management Board Bylaws
- Supervisory Board Bylaws
- Shareholder Meeting Bylaws
- Organizational Bylaws
- Work Rules and Regulations
- Company-Level Collective Bargaining Agreement
- LWB Code of Ethics
- Whistleblowing Policy
- Compliance Policy.

Distinctions:

Mining Success of the Year

Award in the "Mining Success of the Year" competition in the "Innovation" category. The chapter of the Mining Success of the Year competition awarded a prize to Lubelski Węgiel Bogdanka S.A. for improving the climate conditions by implementing a technology for the production of binary ice, as an agent increasing the power of the central air conditioning.



Fight against SARS-CoV-2

Bogdanka's involvement in the fight against the SARS-CoV-2 virus pandemic was recognized by the Lubelskie Voivode Lech Sprawka, who honored entities actively supporting the health service and fighting the virus with diplomas and trophies.



Polityka's CSR Silver Leaf for Bogdanka

The Company received it due to the integration of CSR and sustainability issues into its strategy and, above all, the effects of the implementation.

Responsible Company Ranking

The high eighth place in the overall ranking and fourth place in the "fuels, energy and mining" sector confirms that the Company is one of the national CSR leaders.

This is the only ranking of Poland's companies evaluated in terms of the quality of their corporate social responsibility management.

WIG-ESG

In August this year the Company returned to the WIG-ESG index of socially responsible companies that conduct their business with respect for environmental, social and corporate governance factors.



ESG at the Three Seas Local Government Congress

At the June event, Bogdanka was a substantive partner of a panel entitled: Business transformation - stand-alone tasks or multi-sector work? The panel was opened by the Vice-President for Strategy and Development Kasjan Wyligala. During the event, President of the Management Board Artur Wasil received a diploma of appreciation for supporting the Lubelskie Voivodeship in the process of green energy transition and sustainable development also in the area of the Three Seas Initiative.



Award of the City of Lublin in culture

In June the Culture Gala was held, during which the Mayor of Lublin Krzysztof Żuk honored individuals and entities of merit to the city's culture. The award for Patron of Culture for 2021 went to Bogdanka. The Company received the award from the City of Lublin primarily for the implementation of a program supporting young culture entitled "Bogdanka's Cultural Scholarships in Hatka Żaka".



Bogdanka's best practices honored in the anniversary Report of the Responsible Business Forum

10 best practices of LW Bogdanka S.A. were awarded in the 20th anniversary Report "Responsible Business in Poland. Best Practices", prepared every year by the Responsible Business Forum. Bogdanka's 2021 best practices distinguished by the Experts are:

- Environment: "Wandering of Lublin Cranes" project, Development of methodology and calculation of the carbon footprint for the Lubelski Węgiel Bogdanka Group detailing selected processes and products, Sustainable management of post-mining spoil tips;
- Practices in the area of labor: Art contest - zero waste Christmas tree ornaments, I think, so I don't litter, Preventive gift;
- Social Engagement and Community Development, Bogdanka's Cultural Scholarships, Wise Helping Film, ŁącznaLab, Development and Joy.



03

Financial standing



Coal production, sales and inventories

Production, sales of Company's commercial coal

[000 tons]	Q2 2021	Q2 2022	Change	% change	H1 2021	H1 2022	Change	% change
Gross coal production	3,297	3,833	536	16.3%	6,908	7,700	792	11.5%
Production of commercial coal	2,335	2,761	426	18.2%	4,947	5,570	623	12.6%
Yield (%)	70.8%	72.0%	1.2 p.p.	1.7%	71.6%	72.3%	0.7 p.p.	1.0%
Sales of commercial coal	2,207	2,521	314	14.2%	4,590	5,237	647	14.1%
New excavations (km)	5.1	9.8	4.7	92.2%	10.4	18.4	8.0	76.9%

Company's commercial coal inventories

[000 tons]	30.06.2021	31.12.2021	30.06.2022	Change [%] 30.06.2022 / 31.12.2021	Change [%] 30.06.2022 / 30.06.2021
Coal inventories	479	21	354	1,585.7%	-26.1%

Commercial coal production structure

[%]	Q2 2021	Q2 2022	H1 2021	H1 2022
Pulverized coal	98.9%	98.5%	99.1%	98.9%
Pea coke	1.1%	1.5%	0.9%	1.1%
Total	100.0%	100.0%	100.0%	100.0%

The Group's higher operating results in H1 2022 were mainly driven by the increased demand for thermal coal from the commercial power and heat generation sectors and higher prices in the domestic market, which translated into higher contract prices at the Parent Company.

Coal production

- (+) gross coal production in H1 2022 increased y/y by 11.5%, i.e. by 792 thousand tons
- (+) commercial coal production in H1 2022 was 5,570 thousand tons, up 623 thousand tons from the corresponding period of 2021
- (+) yield was 72.3% in H1 2022, compared to 71.6% in H1 2021

Coal sales

- (+) in Q2 2022, coal sales increased 14.2% compared to Q2 2021
- (+) commercial coal sales in H1 2022 was 5,237 thousand tons, up 14.1% from the corresponding period of 2021

Inventories

- (+) at the end of Q2 2022, coal inventories totaled 354 thousand tons, up 333 thousand tons from 31 December 2021
- (+) the coal inventories presented at the end of Q2 2022 corresponds approximately to ten days of commercial coal production (based on 6-month average daily production)
- (+) inventory levels allow for safe operation of the logistics processes in the event of coal production problems.

Commercial coal production structure

- (+) the share of production of thermal coal sold to industrial customers was maintained
- (+) In Q2 2022 as well as in the entire H1 2022, the increase in the share of pea coal in the production mix is related to higher sales to retail customers.

Sales revenues and main customers of the LW Bogdanka

Group

Dynamics of changes in the sales revenue mix

[PLN 000s]	Q2 2021*	Q2 2022	Change	% change	H1 2021*	H1 2022	Change	% change
Coal sales	508,479	712,118	203,639	40.0%	1,055,910	1,423,729	367,819	34.8%
Other business	8,531	12,664	4,133	48.4%	20,265	26,743	6,478	32.0%
Sales of goods and materials	4,499	6,039	1,540	34.2%	7,763	12,117	4,354	56.1%
Total	521,509	730,821	209,312	40.1%	1,083,938	1,462,589	378,651	34.9%

Structure of revenues

[%]	Q2 2021*	Q2 2022	H1 2021*	H1 2022
Coal sales	97.5%	97.4%	97.4%	97.4%
Other business	1.6%	1.7%	1.9%	1.8%
Sales of goods and materials	0.9%	0.9%	0.7%	0.8%
Total	100.0%	100.0%	100.0%	100.0%

Geographical structure of sales revenues

[PLN 000s]	Q2 2021*	Structure	Q2 2022	Structure	H1 2021*	Structure	H1 2022	Structure
Domestic sales	510,136	97.8%	719,804	98.5%	1,046,169	96.5%	1,386,217	94.8%
Foreign sales	11,373	2.2%	11,017	1.5%	37,769	3.5%	76,372	5.2%
Total	521,509	100.0%	730,821	100.0%	1,083,938	100.0%	1,462,589	100.0%

* Items after restatement of the data for 2021 due to the Group's application of the amendments to IAS 16 - see Note 2.1.1 of the Interim Condensed Consolidated Financial Statements for H1 2022 for details.

Revenue from sales of coal

(+) in Q2 2022, the Group earned PLN 712,118 thousand in revenue from sales of coal, up 40.0% compared to Q2 2021.

(+) in H1 2022, revenue from sales of coal amounted to PLN 1,423,729 thousand compared to PLN 1,055,910 thousand in H1 2021, a y/y increase of 34.8%.

The main source of the Group's sales revenues is the production and sale of steam coal by the Parent Company. These activities generate approximately 97% of the sales revenue generated by the LW Bogdanka Group in each of the comparative reporting periods.

Revenues on other activity

In Q2 2022, revenue from other operations (which includes, among others, revenues of subsidiaries earned outside the LWB Bogdanka Group) amounted to PLN 12,664 thousand, compared to PLN 8,531 thousand in the corresponding period of 2021, up 48.4% y/y. Notable items in this group were:

- revenues from coal transport services provided by the Parent Company to certain coal buyers (transport fee)
- revenues of Łęczżyńska Energetyka from the sale of heat to external entities
- revenues from industrial services provided to companies performing works commissioned by the Parent Company
- rental income from fixed assets.

In H1 2022, revenue from other operations amounted to PLN 26,743 thousand, compared to PLN 20,265 thousand in the corresponding period of the year before. The increase in the revenues in this group is attributable to higher revenues of the Parent Company from transport fees and revenues of subsidiaries from services provided outside the LW Bogdanka Group.

The higher value of revenue from sales of goods and materials is a derivative of higher sales of scrap, i.e. supports recovered from the liquidation of roadways which are not suitable for refurbishment and reuse.

Geographical structure of sales revenues

The Group focuses its operations predominantly on Poland. In H1 2022, coal sales to foreign countries (Ukraine) were made through an intermediary coal entity.

In H1 2022, the value of exports amounted to PLN 76,372 thousand, which accounted for 5.2% of total sales revenues. Steam coal exports to Ukraine in H1 2022 were carried out on the basis of export contracts concluded in 2021, prior to the embargo on Russian coal.

Main customers

Approx. 77% of coal sales (in value terms) during the first half of 2022 were between LW Bogdanka S.A. and Enea Wytwarzanie sp. z o.o., Enea Elektrownia Połaniec S.A. and Grupa Azoty Zakłady Azotowe Puławy S.A. In the corresponding period of 2021 the share of the above buyers was approx. 10.0 p.p. higher.

Major customers by percentage of revenue:

- Enea Wytwarzanie sp. z o.o. - Grupa Enea S.A. - approx. 52% share in revenues
- Enea Elektrownia Połaniec S.A. - Grupa Enea S.A. - approx. 17% share in revenues

Key financial results of the LW Bogdanka Group

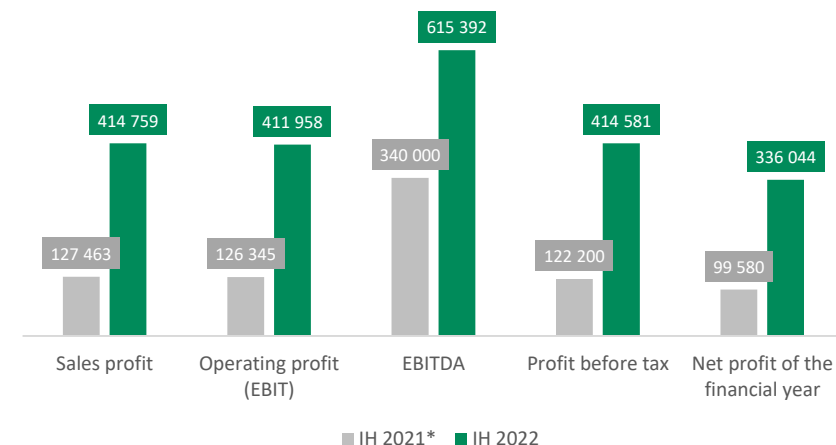
Analysis of the consolidated statement of profit or loss

[PLN 000s]	Q2 2021*	Q2 2022	Change	H1 2021*	H1 2022	Change
Sales revenues	521,509	730,821	40.1%	1,083,938	1,462,589	34.9%
Cost of products, materials and goods sold, selling and distribution expenses, and administrative expenses	465,416	496,882	6.8%	956,475	1,047,830	9.6%
Sales profit	56,093	233,939	317.1%	127,463	414,759	225.4%
Gross margin on sales	10.8%	32.0%	21.2 p.p.	11.8%	28.4%	16.6 p.p.
Other revenues	530	213	-59.8%	977	1,040	6.4%
Other costs	151	283	87.4%	311	904	190.7%
Net operating profit	56,472	233,869	314.1%	128,129	414,895	223.8%
Other net profits / (losses)	277	-1,562	-	-1,784	-2,937	64.6%
Operating profit (EBIT)	56,749	232,307	309.4%	126,345	411,958	226.1%
EBIT margin	10.9%	31.8%	20.9 p.p.	11.7%	28.2%	16.5 p.p.
EBITDA	164,685	338,885	105.8%	340,000	615,392	81.0%
EBITDA profitability	31.6%	46.4%	14.8 p.p.	31.4%	42.1%	10.7 p.p.
Financial income	74	7,129	9,533.8%	142	9,385	6,509.2%
Financial costs	1,785	2,952	65.4%	4,287	6,762	57.7%
Profit before tax	55,038	236,484	329.7%	122,200	414,581	239.3%
Profit margin before tax	10.6%	32.4%	21.8 p.p.	11.3%	28.3%	17.0 p.p.
Income tax	9,891	43,634	341.1%	22,620	78,537	247.2%
Net profit of the financial year	45,147	192,850	327.2%	99,580	336,044	237.5%
Net profitability	8.7%	26.4%	17.7 p.p.	9.2%	23.0%	13.8 p.p.

* Items after restatement of the data for 2021 due to the Group's application of the amendments to IAS 16 - see Note 2.1.1 of the Interim Condensed Consolidated Financial Statements for H1 2022 for details.



Key financial results of the LW Bogdanka Group (PLN 000s)



Key financial results

LW Bogdanka Group

Sales revenues

Sales revenues in Q2 2022 increased by 40.1% compared to the corresponding period of last year and stood at PLN 730,821 thousand.

In H1 2022, the Group generated revenue in the amount of PLN 1,462,589 thousand compared to PLN 1,083,938 thousand in the corresponding period of 2021 (34.9% increase).

Cost of products, materials and goods sold, selling and distribution expenses, and administrative expenses

In Q2 2022, the cost of products, materials and goods sold, and selling and distribution and administrative expenses amounted to PLN 496,882 thousand and were higher by PLN 31,466 thousand compared to the corresponding period of the previous year, when they stood at PLN 465,416 thousand.

In H1 2022, the cost of products, materials and goods sold, and selling and distribution and administrative expenses increased from PLN 956,475 thousand to PLN 1,047,830 thousand.

Sales profit

In Q2 2022, sales profit amounted to PLN 233,939 thousand, compared to PLN 56,093 thousand in the corresponding period of 2021.

In H1 2022 the Group generated sales profit in the amount of PLN 414,759 thousand compared to PLN 127,463 thousand in the same period of 2021.

Other revenues

Other revenues in H1 2022 amounted to PLN 1,040 thousand versus PLN 977 thousand a year earlier. The slight increase compared to 2021 is mainly due to an excise tax refund of PLN 298 thousand received during the current period, with lower compensation received.

Other costs

Other expenses in H1 2022 amounted to PLN 904 thousand, compared to PLN 311 thousand in the same period of 2021 - the increase was primarily driven by a significantly higher amount of donations.

Other net gains/(losses)

Other net losses were PLN 1,562 thousand in Q2 2022, compared to other net gains of PLN 277 thousand in Q2 2021.

Other net losses were PLN 2,937 thousand in H1 2022, compared to PLN 1,784 thousand in H1 2021.

In H1 2022, the Company made an impairment charge for property, plant and equipment (PLN 4,314 thousand).

EBIT

The operating result in Q2 2022 amounted to PLN 232,307 thousand. At the same time EBITDA profitability amounted to 31.8%, which is 20.9 p.p. more than in Q2 of the previous year.

EBIT profitability for H1 2022 was 16.5 p.p. higher than in H1 2021, and stood at 28.2%.

EBITDA

EBITDA in Q2 2022 increased by 105.8% compared to Q2 2021 and amounted to PLN 338,885 thousand. EBITDA profitability in Q2 2022 was higher than that achieved in the corresponding period of 2021 and amounted to 46.4%.

In H1 2022 the Group achieved EBITDA profitability of 42.1%, 10.7 p.p. higher than in the same period of 2021 (EBITDA increased by 81.0% in the period under review). EBITDA in H1 2022 was PLN 615,392 thousand, compared to PLN 340,000 thousand in H1 2021.

Financial income

Financial income in Q2 2022 amounted to PLN 7,129 thousand, compared to PLN 74 thousand in Q2 2021. Financial income in H1 2022 amounted to PLN 9,385 thousand versus PLN 142 thousand a year earlier. Financial income in H1 2022 consists primarily of interest income from short-term bank deposits in the amount of PLN 8,359 thousand.

Financial costs

Financial costs for Q2 2022 were 65.4% higher than in the corresponding period of 2021 and amounted to PLN 2,952 thousand. Financial costs in H1 2022 amounted to PLN 6,762 thousand compared to PLN 4,287 thousand in the same period of 2021. The increase in financial costs is due to the inclusion of higher interest expenses from valuation of employee benefits and the settlement of the discount relating to the provision for the Mine Closure Fund. As at 30 June 2022, the Group had total debt of PLN 6,408 thousand, compared to PLN 7,942 thousand as at 31 December 2021.

Profit before tax

In Q2 2022, the Group recorded a profit before tax of PLN 236,484 thousand compared PLN 55,038 thousand in Q2 2021. Profit before tax for H1 2022 amounted to PLN 414,581 thousand, compared to PLN 122,200 thousand in the corresponding period of 2021.

Net profit for the period

In Q2 2022, the Group recorded a net profit of PLN 192,850 thousand compared to PLN 45,147 thousand in Q2 2021. The Group's net profit for H1 2022 amounted to PLN 336,044 thousand, compared to PLN 99,580 thousand in the corresponding period of the previous financial year.

LW Bogdanka Group's balance sheet

Balance sheet [PLN 000s]	31.12.2021*	30.06.2022	Change
Total assets	4,731,540	5,042,405	6.6%
Return on assets (ROA)**	6.3%	10.7%	4.4 p.p.
Non-current assets	3,705,924	3,744,557	1.0%
Current assets	1,025,616	1,297,848	26.5%
Equity	3,617,601	3,877,038	7.2%
Return on Equity (ROE)**	8.3%	14.0%	5.7 p.p.
Provisions and liabilities	1,113,939	1,165,367	4.6%

* Items after restatement of the data for 2021 due to the Group's application of the amendments to IAS 16 - see Note 2.1.1 of the Interim Condensed Consolidated Financial Statements for H1 2022 for details.

**the calculation takes into account the net result for the last four quarters and the average level of assets and equity (as at 30 June 2022 + as at 31 December 2021)/2.

Assets

Total assets as at 30 June 2022 compared to the value as at 31 December 2021 increased by PLN 310,865 thousand and amounted to PLN 5,042,405 thousand, with non-current assets increasing by PLN 38,633 thousand and current assets by PLN 272,232 thousand. In non-current assets, the most significant change is a PLN 36,226 thousand increase in property, plant and equipment. In current assets, the most significant change is a 81.9% increase in the value of inventories and the reporting of other short-term investments. As at 30 June 2022, return on assets (ROA) was 10.7%, compared to 6.3% at the end of 2021.

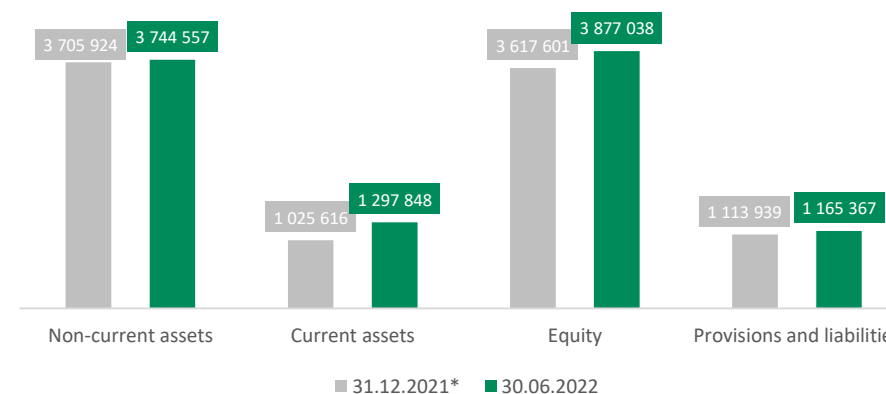
Equity and liabilities

Equity increased by 7.2%. This was a result of the total income received for H1 2022 and the settlement of the result for 2021. (dividend). Provisions and liabilities increased by 4.6% compared to the value as at 31 December 2021, with current liabilities increasing by 14.0% (primarily due to an increase in employee benefit liabilities and dividend liabilities, and non-current liabilities decreasing by 3.5% (primarily due to a decrease in employee benefit liabilities).

As at 30 June 2022, return on equity increased by 5.7 p.p. compared to the end of 2021. As at 30 June 2022 the ratio stood at 14.0%, compared to 8.3% as at 31 December 2021.



Analysis of the consolidated statement of financial position (PLN 000s)



Cash flows
LW Bogdanka Group

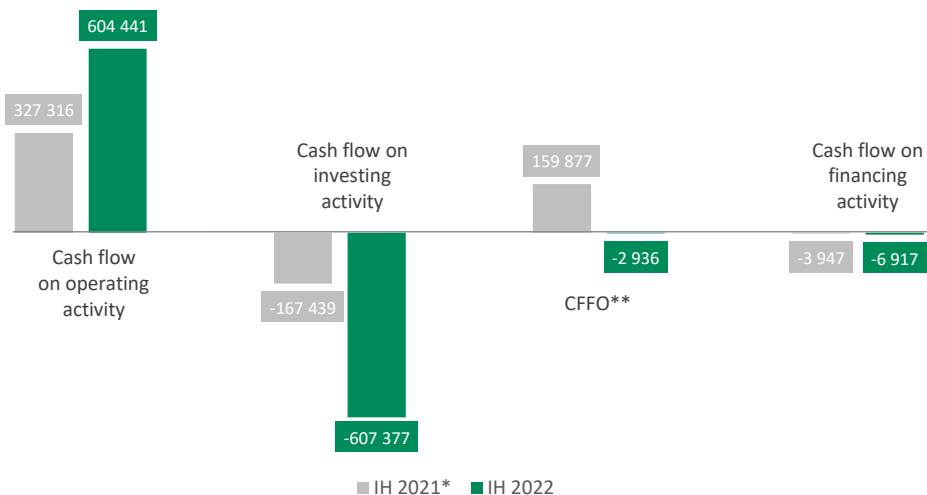
Cash position

[PLN 000s]	Q2 2021*	Q2 2022	Change	H1 2021*	H1 2022	Change
Cash flow on operating activity	200,282	281,087	40.3%	327,316	604,441	84.7%
Cash flow on investing activity	-76,448	-143,917	88.3%	-167,439	-607,377	262.7%
CFFO**	123,834	137,170	10.8%	159,877	-2,936	-
Cash flow on financing activity	-1,730	-3,401	96.6%	-3,947	-6,917	75.2%

* Items after restatement of the data for 2021 due to the Group's application of the amendments to IAS 16 - see Note 2.1.1 of the Interim Condensed Consolidated Financial Statements for H1 2022 for details.

** sum of operating and investment cash flows

LW Bogdanka Group's cash flows (PLN 000s)



Cash flow on operating activity

In Q2 2022, the Group generated PLN 40.3% higher net cash flow on operating activity than in Q2 2021 - in Q2 2022, it amounted to PLN 281,087 thousand compared to PLN 200,282 thousand a year earlier. In H1 2022, the LW Bogdanka Group generated PLN 604,441 thousand in cash flow on operating activity (+84.7% y/y). The recorded increase is attributable primarily to the higher net profit and changes in working capital.

Cash flow on investing activity

Cash flow on investing activity increased (in absolute terms) by 88.3% (to PLN 143,917 thousand) in Q2 2022 compared to the corresponding period of 2021. During the period under analysis, there were higher expenditures on acquisition of property, plant and equipment and expenditures on other short-term investments were reported.

Cash flow on financing activity

In Q2 2022 the Group recorded negative cash flow on financing activity in the amount of PLN 3,401 thousand. In H1 2022 the Group recorded negative cash flow on financing activity in the amount of PLN 6,917 thousand. The predominant items were repaid loans and payments of lease liabilities.



Debt and liquidity ratios LW Bogdanka Group

The Group presents selected APM indicators as, in its opinion, they are a source of additional valuable information (in addition to the data presented in the financial statements) about the financial and operating position, as well as facilitate analysis and assessment of the financial performance of the Group over individual reporting periods. The Group presents these specific alternative performance measures because they represent standard measures and ratios commonly used in financial analysis. The selection of alternative performance measures was preceded by an analysis of their usefulness in terms of providing investors with useful information about the financial position, cash flows and financial performance and, in the Group's opinion, allows for an optimal assessment of the financial results recorded.

Cash position

[PLN 000s]	31.12.2021*	30.06.2022	Change
Total debt ratio	23.5%	23.1%	-0.4 p.p.
Ratio (debt plus employee liabilities)/EBITDA**	0.28	0.21	-25.0%
Net debt/EBITDA ratio**	-0.74	-0.78	-5.4%
Debt to equity ratio	30.8%	30.1%	-0.7 p.p.
Fixed capital to non-current assets ratio (non-current assets/fixed capital)	110.2%	115.5%	5.3 p.p.
Short-term debt ratio (current liabilities/liabilities)	10.9%	11.7%	0.8 p.p.
Long-term debt ratio (non-current liabilities/liabilities)	12.6%	11.5%	-1.1 p.p.

* Items after restatement of the data for 2021 due to the Group's application of the amendments to IAS 16 - see Note 2.1.1 of the Interim Condensed Consolidated Financial Statements for H1 2022 for details.

**Debt = non-current liabilities under bonds issued + non-current loans and borrowings + current loans and borrowings

	31.12.2021	30.06.2022	Change
Current ratio	2.09	2.25	7.7%
Quick liquidity ratio	1.89	1.94	2.6%

In the period covered by the consolidated financial statements, the Group's liquidity ratios remained at a high and safe level - the Group has no difficulties in meeting its liabilities.

Total debt ratio

The total debt ratio as at 30 June 2022 decreased by 0.4 p.p. compared to 31 December 2021 to 23.1% - the increase in the balance sheet value was greater than the change in liabilities.

As at 30 June 2022 the level of the Group's debt did not pose a threat to its operations or its ability to meet its obligations in a timely manner. Based on medium- and long-term projections, the Group's financing needs are analyzed to ensure liquidity and cash balances at an appropriate level.

Debt plus employee liabilities/EBITDA

The ratio describing the ratio of debt to EBITDA at the end of Q2 2022 decreased by 25.0% and stood at 0.21. Comparing data as at 30 June 2022 to 31 December 2021, there was an increase in EBITDA (calculated on a rolling basis for the last four quarters) with a stable debt level.

Net debt/EBITDA

The ratio describing the ratio of net debt (total interest-bearing short- and long-term liabilities less cash and cash equivalents) to EBITDA increased, in absolute terms, from -0.74 as at 31 December 2021 to -0.78 as at 30 June 2022. Net debt decreased by approximately PLN 248 million and amounted to PLN -836 million with EBITDA increasing by approximately PLN 275 million (EBITDA calculated on a rolling basis for the last four quarters) to PLN 1,073 million.

Debt to equity ratio

The debt to equity ratio as at 30 June 2022 decreased by 0.7 p.p. from 31 December 2021 and amounted to 30.1% - liabilities increased by approximately PLN 51 million and equity increased by approximately PLN 259 million.

Fixed capital to non-current assets ratio

The ratio of coverage of non-current assets with fixed capital reached 115.5% (as at 30 June 2022) compared to 110.2% (as at 31 December 2021) - in the period under analysis the value of non-current assets increased by approx. PLN 39 million while the value of fixed capital (the sum of equity and non-current liabilities without provisions) increased by approx. PLN 239 million.

Turnover of receivables and liabilities in the LW Bogdanka Group

Turnover ratios

[PLN 000s]		31.12.2021*	30.06.2022	Change
1. Inventory turnover ratio	$\frac{\text{average balance of inventories}}{\text{cost of goods and materials sold}} \times \text{number of days in the period}$	19	27	42.1%
2. Receivables turnover ratio**	$\frac{\text{average balance of receivables}}{\text{sales revenues}} \times \text{number of days in the period}$	46	37	-19.6%
3. Liabilities turnover ratio***	$\frac{\text{average balance of liabilities}}{\text{cost of goods and materials sold}} \times \text{number of days in the period}$	73	77	5.5%
4. Operating cycle	1+2	65	64	-1.5%
5. Cash conversion cycle	4-3	-8	-13	62.5%

* Items after restatement of the data for 2021 due to the Group's application of the amendments to IAS 16 - see Note 2.1.1 of the Interim Condensed Consolidated Financial Statements for H1 2022 for details.

** Trade and other receivables

*** Trade and other liabilities

Inventory turnover ratio

The inventory turnover ratio as at 30 June 2022 increased from 31 December 2021 and is 27 days.

On average, it takes 8 days longer to liquidate inventory.

Receivables turnover ratio

The receivables turnover ratio (calculated on the basis of the balance sheet item "Trade and other receivables") was 37 days (as at 30 June 2022) compared to 46 days (as at 31 December 2021). Year-on-year, there was a similar average receivables balance with an increase in revenues.

Liabilities turnover ratio

The liabilities turnover ratio (calculated on the basis of the balance sheet item "Trade and other liabilities") during the period covered by the financial information increased by 4 days to 77 days compared to the value at the end of 2021.

In the period under review, the Group had a higher average level of current trade liabilities (by approx. PLN 39 million) with a lower level of expenses.

Operating cycle

The operating cycle of current assets (the sum of the inventory and trade receivables turnover ratios) in the period under analysis was shortened by 1 day and amounted to 64 days. On average, the Group's current assets are liquidated after 64 days.

Cash conversion cycle

The changes described above resulted in achieving a cash conversion cycle of -13 days as at 30 June 2022. The negative value of the ratio indicates that the Group uses trade credit (financing with non-interest-bearing debt).

LW Bogdanka Group's provisions

Balance sheet provisions [PLN 000s]	As at 30.06.2021	As at 31.12.2021	As at 30.06.2022	Change H1 2022/ 31.12.2021	Change H1 2022/ H1 2021
Employee provisions	234,644	210,635	221,001	4.9%	-5.8%
Provision for mine decommissioning and land reclamation costs	199,628	130,402	129,994	-0.3%	-34.9%
Mining damage	2,320	6,382	5,549	-13.1%	139.2%
Other	8,971	18,804	6,368	-66.1%	-29.0%
Total	445,563	366,223	362,912	-0.9%	-18.5%

Total provisions as at 30 June 2022 amounted to PLN 362,912 thousand, a decrease of 0.9% compared to 31 December 2021.

Change in provisions [PLN 000s]	Change Q2 2021	Change Q2 2022	Change Q2 2022/ Q2 2021	Change in H1 2021	Change in H1 2022	Change H1 2022/ H1 2021
Employee provisions	-763	-9,690	1,170.0%	19,317	10,366	-46.3%
Provision for mine decommissioning and land reclamation costs	-12,563	-167	-98.7%	-12,828	-408	-96.8%
Mining damage	-104	-459	341.3%	-259	-833	221.6%
Other	1,368	-13,898	-	4,236	-12,436	-
Total	-12,062	-24,214	100.7%	10,466	-3,311	-

Location of the impact of the change in provisions in the consolidated financial statements

[PLN 000s]	Change in provisions in H1 2022	Change recognized in operating activities (EBITDA)	Change recognized below operating profit - interest	Of which:		
				Change recognized only in the balance sheet - increase in the carrying amount of fixed assets	Change recognized in Other Comprehensive Income	Change recognized only on the balance sheet - use of provisions
Employee provisions	10,366	41,428	3,084	-	-10,404	-23,742
Provision for mine decommissioning and land reclamation costs	-408	484	2,235	-3,127	-	-
Mining damage	-833	-	-	-	-	-833
Other	-12,436	736	-	-	-	-13,172
Total	-3,311	42,648	5,319	-3,127	-10,404	-37,747

[PLN 000s]	Change in provisions in Q2 2022	Change recognized in operating activities (EBITDA)	Change recognized below operating profit - interest	Of which:		
				Change recognized only in the balance sheet - increase in the carrying amount of fixed assets	Change recognized in Other Comprehensive Income	Change recognized only on the balance sheet - use of provisions
Employee provisions	-9,690	11,622	1,553	-	-10,404	-12,461
Provision for mine decommissioning and land reclamation costs	-167	233	1,118	-1,518	-	-
Mining damage	-459	-	-	-	-	-459
Other	-13,898	-887	-	-	-	-13,011
Total	-24,214	10,968	2,671	-1,518	-10,404	-25,931

LW Bogdanka S.A.'s costs

Costs by nature

[PLN 000s]	Q2 2021*	Q2 2022	Change	H1 2021*	H1 2022	Change
Net production [000 tons]	2,335	2,761	18.2%	4,947	5,570	12.6%
Sales [000 tons]	2,207	2,521	14.2%	4,590	5,237	14.1%
Depreciation and amortization	105,201	97,797	-7.0%	208,121	190,517	-8.5%
Consumption of materials and energy	100,811	185,092	83.6%	215,764	350,237	62.3%
External services	103,846	144,289	38.9%	222,866	285,770	28.2%
Employee benefits	132,822	169,347	27.5%	288,487	339,737	17.8%
Representation and advertising costs	1,879	2,237	19.1%	4,791	6,629	38.4%
Taxes and charges	11,014	12,105	9.9%	26,423	28,675	8.5%
Other costs	21,744	875	-96.0%	22,598	2,023	-91.0%
Total costs by nature	477,317	611,742	28.2%	989,050	1,203,588	21.7%
Cost of producing services for the entity's proprietary needs	-35,125	-107,293	205.5%	-74,658	-198,400	165.7%
Accruals	30,283	43,367	43.2%	48,099	70,018	45.6%
Provisions and other presentation adjustments between expense by nature and by function	9,958	-12,872	-229.3%	42,646	18,952	-55.6%
Total production costs	482,433	534,944	10.9%	1,005,137	1,094,158	8.9%
Movement in products	-23,935	-41,932	75.2%	-58,947	-57,084	-3.2%
Cost of goods sold	3,873	6,034	55.8%	7,142	12,086	69.2%
Cost of goods sold, including:	462,371	499,046	7.9%	953,332	1,049,160	10.1%
Cost of goods and materials sold	420,436	454,478	8.1%	869,169	958,539	10.3%
Selling and distribution expenses	9,701	11,550	19.1%	18,669	21,708	16.3%
Administrative expenses	32,234	33,018	2.4%	65,494	68,913	5.2%

* Items after restatement of the data for 2021 due to the Group's application of the amendments to IAS 16 - see Note 2.1.1 of the Interim Condensed Consolidated Financial Statements for H1 2022 for details.

Q2 2022

Costs by nature

In Q2 2022, LW Bogdanka S.A. incurred costs by nature of PLN 611,742 thousand (PLN +134,425 thousand y/y), i.e. 28.2% more than in Q2 2021. The increase in costs in Q2 2022 was mainly due to higher costs of consumption of materials and energy, external services and employee benefits.

Depreciation and amortization

Depreciation and amortization decreased by 7.0% (to PLN 97,797 thousand) - natural depreciation and amortization decreased (approximately PLN 11 million), which is a consequence of lower longwall progress.

Consumption of materials and energy

The cost of materials and energy consumed in Q2 2022 compared to Q2 2021 increased by 83.6% and amounted to PLN 185,092 thousand. In the period under analysis, the value of consumed materials increased (greater scope of preparatory work and greater consumption of parts for mining machinery and equipment) and the cost of energy consumption increased (increase of electricity purchase prices).

External services

The value of costs of external services increased by 38.9% compared to Q2 2021 and amounted to PLN 144,289 thousand. In the period under analysis, there was an increase primarily in the value of drilling and mining services (PLN +21.9 million), the value of Saturday-Sunday work (PLN +7.0 million), as well as coal transportation services by rail (PLN +2.4 million) and waste management (PLN +2.6 million).

Employee benefits

The value of employee benefits in Q2 2022 increased by PLN 36.5 million. This is the result of an increase in salaries agreed with the trade unions, as well as obligatory contributions and other employee benefits.

Representation and advertising costs

The increase in the value of representation and advertising expenses by PLN 0.4 million pertains to changes in the timing of payments under sponsorship agreements.

Taxes and charges

The increase in taxes and charges by approx. PLN 1.1 million is mainly due to an increase in the mining fee, property tax and payments to the State Fund for the Rehabilitation of the Disabled.

Other costs

The decrease in other expenses by PLN 20.9 million is due to the conclusion, in Q2 2021, of a long-term insurance policy, the cost of which was settled over time, in proportion to its duration.

LW Bogdanka S.A.'s costs

H1 2022

Costs by nature

In H1 2022, LW Bogdanka S.A. incurred costs by nature of PLN 1,203,588 thousand, i.e. 21.7% (+PLN 214,538 thousand) more than in the corresponding period of 2021. The increase in costs in the period under analysis was mainly due to higher costs of consumption of materials and energy, external services and employee benefits.

Depreciation and amortization

Depreciation and amortization decreased by 8.5% (to PLN 190,517 thousand) - natural depreciation and amortization decreased (approximately PLN 28 million), which is a consequence of lower longwall progress.

Consumption of materials and energy

The total value of the costs of consumed materials and energy increased by 62.3% compared to H1 2021 and amounted to PLN 350,237 thousand.

In the period under analysis, approximately 8.0 kilometers more workings were excavated, with a simultaneous increase in the cost of energy consumption (an increase in the price of electricity and heated water used for central heating and hot water).

Taxes and charges

The increase in taxes and charges by approx. PLN 2.3 million is mainly due to an increase in the mining fee, property tax and payments to the State Fund for the Rehabilitation of the Disabled.

External services

The value of external services for H1 2022 compared to the corresponding period in 2021 increased from PLN 222,866 thousand to PLN 285,770 thousand (+28.2%). In the period under analysis, there was an increase primarily in the value of drilling and mining services (PLN +41.1 million), the value of Saturday-Sunday work (PLN +12.5 million), as well as coal transportation services by rail (PLN +4.1 million) and waste management (PLN +2.3 million).

Employee benefits

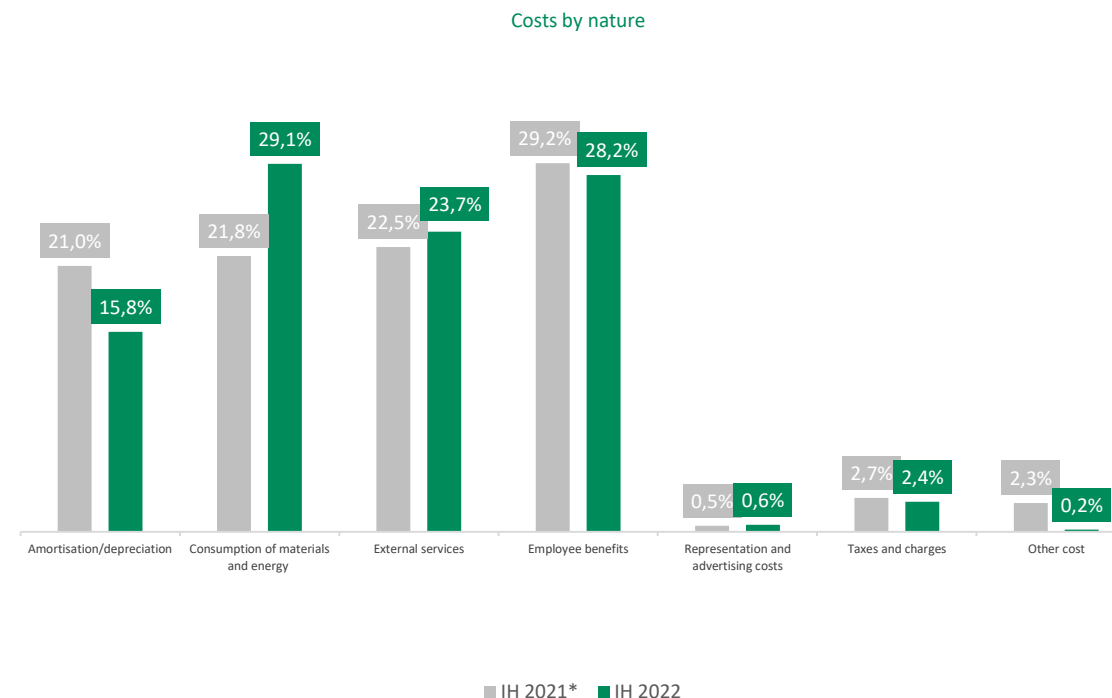
The value of employee benefits in H1 2022, compared to the corresponding period of 2021, increased by PLN 51.3 million. This is the result of an increase in salaries agreed with the trade unions, as well as obligatory contributions and other employee benefits.

Representation and advertising costs

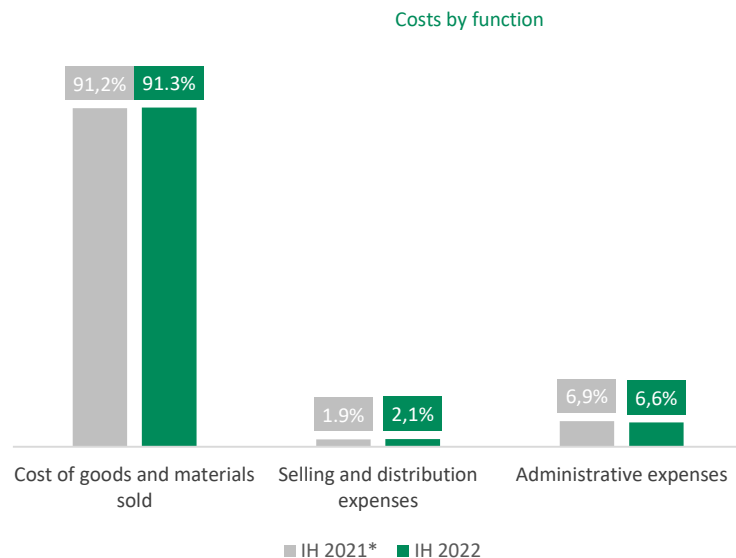
The increase in the value of representation and advertising expenses by PLN 1.8 million pertains to changes in the timing of payments under sponsorship agreements.

Other costs

The decrease in other expenses by PLN 20.6 million is due to the conclusion, in Q2 2021, of a long-term insurance policy, the cost of which was settled over time, in proportion to its duration.



LW Bogdanka S.A.'s costs



Costs by function

Cost of goods sold (by function) in Q2 2022 amounted to PLN 499,046 thousand, while in the corresponding period of the previous year it amounted to PLN 462,371 thousand.

Cost of goods sold (by function) in H1 2022 amounted to PLN 1,049,160 thousand and was 10.1% (+PLN 95,828 thousand) higher than the cost incurred in the corresponding period of 2021.

[PLN 000s]	Q2 2021*	Q2 2022	Change	H1 2021*	H1 2022	Change
Cost of goods and materials sold	420,436	454,478	8.1%	869,169	958,539	10.3%
Selling and distribution expenses	9,701	11,550	19.1%	18,669	21,708	16.3%
Administrative expenses	32,234	33,018	2.4%	65,494	68,913	5.2%
Cost of goods sold	462,371	499,046	7.9%	953,332	1,049,160	10.1%

* Items after restatement of the data for 2021 due to the Group's application of the amendments to IAS 16 - see Note 2.1.1 of the Interim Condensed Consolidated Financial Statements for H1 2022 for details.



Other information affecting the LW Bogdanka Group's financial position

Information on the current and projected economic and financial standing of the LW Bogdanka Group and assessment of financial resources management

The LW Bogdanka Group constantly monitors the levels of costs, indicators and the value of accumulated cash. The current debt (a loan taken out by Łęczyńska Energetyka from the Voivodeship Fund for Environmental Protection and Water Management (WFOŚIGW)), together with the existing level of cash, guarantee current financing.

The Parent Company systematically performs works aimed to optimize the mining process (in terms of the applied technology and the planned deposit slicing and opening out works for new coal seams). The works as a whole (planning new excavations, extraction i sales of commercial coal) take the current and future market risk into account. The opening out works (for new excavations) are performed in a manner enabling continuous extraction. Coal prices on national and international markets are also monitored on an ongoing basis. The LW Bogdanka Group pays its liabilities on an ongoing basis. The Group manages its financial resources efficiently, depositing free funds in banks (the tenor and value of deposits depends on internal short-term financial forecasts). At the time of preparing the information, there are no indications that there is a risk that the Company will not be able to meet its liabilities in the future.

Suppliers

The awarding of contracts by hard coal mining companies for the purpose of carrying out these activities is subject to sectoral public procurement regulations. In the LW Bogdanka Group, all procurement orders above the thresholds defined in the Public Procurement Law are awarded based on the rules stipulated in this law. Other contracts are awarded based on the Group's internal procedures.

The main suppliers for the LW Bogdanka Group are companies offering services and products specific to the mining industry (excavation and reconstruction of roadways, haulage of winnings, as well as supply of roadway supports, specialist mining machinery and equipment), as well as companies supplying electricity. In H1 2022, the value of turnover with any supplier did not exceed 10% of the Group's revenue.

Investments and deposits of the LW Bogdanka Group

Cash held by the Group at the end of June 2022 amounted to PLN 736,073 thousand, of which:

- PLN 145,751 thousand was shown in non-current assets
- PLN 590,322 thousand was shown in current assets.

The amount of PLN 145,751 thousand includes cash accumulated by the Parent Company as part of the Mine Closure Fund intended to cover the costs of mine closures (these funds are kept on a bank deposit).

The amount of PLN 590,322 thousand includes available cash held in short-term bank deposits. In accordance with the adopted Strategy, the Group maintains the level of disposable cash in the amount of at least the value of average monthly sales revenues (1/12 of planned annual sales revenues).

The funds accumulated in the Parent Company amount to PLN 562,089 thousand and in subsidiaries to PLN 28,233 thousand (mainly in Łęczyńska Energetyka).

In addition, as at the end of June 2022, the Parent Company reports Other current investments of PLN 252,268 thousand.

Description of material off-balance sheet items of the LW Bogdanka Group, by subject, object and value

A detailed description is presented in Note 30 to the interim condensed consolidated financial statements of the LW Bogdanka Group for H1 2022.

Other information affecting the LW Bogdanka Group's financial position

Evaluation of factors and unusual events affecting the operating result

At present, the only material non-recurring event that occurred in H1 2022 and continues until the date of this Consolidated Quarterly Report, is the armed conflict resulting from the attack of Russian Federation's armed forces on Ukraine on 24 February 2022. This event has had an immense impact on the social and economic condition and its economic impact is global. This event has also impacted the Lubelski Węgiel Bogdanka Group. The following areas should be considered in order to present the impact of this event on the Group:

- Export sales, the vast majority of which were sales of coal to Ukraine, amounted to PLN 76,372 thousand in H1 2022 which represented approximately 5.2% of the Group's consolidated sales revenues (PLN 37,769 thousand in H2 2021 and PLN 130,731 thousand in the entire 2021, which represented 3.6% and 5.5% of the Group's consolidated sales revenues respectively). Steam coal exports to Ukraine in H1 2022 were carried out on the basis of export contracts concluded still in 2021, prior to the embargo on Russian coal. Domestic demand for steam coal is so high (among others, because of lower production in Poland and difficulties in import) as a result of which the Group currently sells its coal in the domestic market.
- Given the risks and uncertainties arising from this event, it has a significant impact on the global prices of energy commodities (crude oil, natural gas, steam coal and renewables). The high demand for gas and uncertainty in the supply of raw materials (including restrictions in raw material imports from the East, suspension of natural gas deliveries from Russia on 26 April

2022) contribute to high demand for electricity from coal-fired power generation.

- On 16 April 2022, the Act of 13 April 2022 on special solutions to counteract the support of aggression against Ukraine and to protect national security came into effect. With a view to the existing threat to national security, Article 8 of the Act forbids to bring coal originating from Russia and Belarus into the territory of the Republic of Poland and to transport it between two countries through the territory of the Republic of Poland. Also, Article 13 of the Act imposes an obligation on entities bringing coal into the territory of the Republic of Poland (including domestic mines) to have documentation indicating the country of origin of the coal and to issue statements to coal buyers indicating the country of origin of the coal. This Act directly contributes to the further increase in demand for domestic coal.
- The above event also affects prices and availability of other raw materials that are important for the Group's activities, in particular steel. For the time being, however, this risk is limited due to the active long-term supply contracts and inventories of key materials (including roadway supports), which were built up in advance. In the longer term, however, this event may have an adverse effect on the Group's operations and financial performance.
- The above event has no material direct impact on the Group's current staffing situation.

Given the above facts as well as the past developments, the Group believes that this event has had no significant effect on the operating activity and financial performance of the Group in H1 2022 and should not have such an effect in the short term. Still, such impact may be felt in the longer term.

Dividend decision

On 23 June 2022 the Company's Ordinary Shareholder Meeting adopted a resolution on the payment of dividends to the Company's shareholders, allocating for this purpose the amount of PLN 85,033 thousand (PLN 2.50 per share) from the net profit for 2021. The dividend was paid on 20 July 2022.

Information on financial instruments, bonds

Information on derivatives

As at 30 June 2022 the Group had no outstanding derivative transactions.

Bonds

As at 30 June 2022 the Parent Company had no active bond issue agreement and no issued and outstanding bonds.

Assessment of feasibility of investment plans

As at the date of submission of this report, LW Bogdanka S.A. does not see any risk as regards the possibility of raising additional debt financing, however it points to the risk that the costs of raising and servicing such financing may be higher than those currently incurred.

Opinion of the LW Bogdanka S.A. Management Board regarding the possibility of fulfillment of previously published result forecasts for the given year, in the light of the results presented in the consolidated quarterly report in relation to forecast results

LW Bogdanka S.A. did not publish any financial result forecasts for 2022.

Principles of preparation of consolidated and standalone interim condensed financial statements

The interim condensed consolidated financial statements of the LW Bogdanka Group and the interim condensed financial statements of the Parent Company for H1 2022 have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as approved by the European Union.

Material proceedings pending before courts, arbitration bodies or public administration bodies

As at the date of preparation of this Report, neither LW Bogdanka S.A. nor its subsidiaries are parties to any material proceedings pending before any court, arbitration body or public administration body concerning the liabilities or receivables of the Company or its subsidiary.



Agreements relating to loans and borrowings

Information on loans granted

In H1 2022 the Parent Company did not take or grant any loans or terminate any loan agreements.

Information on sureties and guarantees granted and received

In H1 2022 the Parent Company and its subsidiaries did not instruct banks to issue any guarantees.

Transactions with related parties

In H1 2022, the Parent Company and its subsidiaries did not enter into any individually or jointly significant transactions with related parties out of compliance with the arm's length principle.

The Issuer makes disclosures about all agreements important for its business in the form of current reports available on the website:
<http://ri.lw.com.pl/raporty-biezące>.

For more information on the agreements with the Enea Group and companies controlled by the State Treasury, see Note 32 of the interim condensed consolidated financial statements for the 6-month period ended 30 June 2022.

Loans taken

In H1 2022, LW Bogdanka S.A. had one active loan agreement.

On 11 May 2021, the Parent Company signed with Bank Gospodarstwa Krajowego Annex 1 to the Overdraft Facility Agreement with a credit limit up to PLN 150 million. Under Annex 1, BGK extended the availability period of the facility by another 12 months, i.e. until 12 May 2022, which expired on that day. The facility was a revolving overdraft and was intended to finance the current operations of the Parent Company. The loan interest rate was the sum of the WIBOR 1M rate and a fixed bank margin.

Agreements relating to loans and borrowings of subsidiaries

Łęczyńska Energetyka sp. z o.o. continues to repay the loan granted under the agreement of 9 June 2014 (in the amount of PLN 26,580 thousand) by the Voivodeship Fund for Environmental Protection and Water Management (WFOŚiGW) in Lublin, intended to subsidize the construction of the Water Treatment Station in Bogdanka, the implementation of which was completed in February 2016. The interest rate is 0.7 of the bill rediscount rate set by the Monetary Policy Council, not less than 4.0% per annum. In 2014-2016, 100% of the above-mentioned loan amount was used, and the loan will be repaid successively by 31 July 2024. Except for the above loan, in H1 2022 Łęczyńska Energetyka Sp. z o.o. did not use any external sources to fund its operations.

In H1 2022, the subsidiaries: EkoTrans Bogdanka Sp. z o.o., RG Bogdanka Sp. z o.o., MR Bogdanka Sp. z o.o. did not grant or incur any loans and borrowings or terminate any agreements pertaining to loans and borrowings.





04

Shares and shareholding structure



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

Share capital structure

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

On 4 January 2012, 3,208,111 employee shares were floated on the Warsaw Stock Exchange and on 4 February 2013, another 34,754 shares were floated. The total number of the Company's shares traded is 34,013,455.

The remaining 135 shares, as of the date of this report, are registered shares.

The total number of votes resulting from all outstanding shares of the Issuer corresponds to the number of shares, translating into 34,013,590 votes.

The Company has a dominant strategic shareholder. The dominant shareholder is ENEA S.A., with a majority shareholding of 64.6% in LW Bogdanka S.A., which entitle it to 21,962,189 votes, which translates into the nominal value of PLN 109,810,945.

The Issuer's other shareholders are mainly institutional investors in the form of pension and investment funds.

Treasury shares

LW Bogdanka S.A. and LW Bogdanka S.A.'s subsidiaries did not purchase any treasury shares in H1 2022.

Changes in the shareholder structure before the date of the report

According to the information available to the Parent Company, in the period from the publication of the previous interim report, i.e. the report for Q1 2022, to the date of publication of the report for H1 2022, a subsidiary ENEA Wytwarzanie Sp. z o.o., as a result

of the sale of the Company's shares, decreased its share in the total number of votes in the Company by at least 1%.

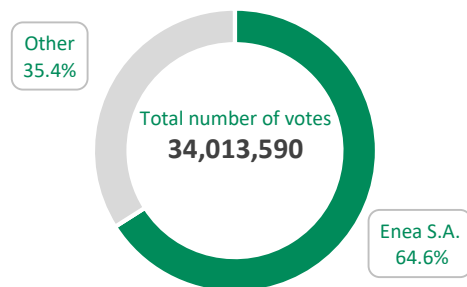
For details, see Current Report No. 10/2022, posted on the Company's website.

According to information obtained from Enea S.A., as at 30 June 2022, the subsidiary ENEA Wytwarzanie Sp. z o.o. does not hold shares in LW Bogdanka S.A.

Shareholder structure

The following chart presents the shareholder structure of the Company as at 14 September 2022.

Shareholding structure of LW Bogdanka S.A. as at 14 September 2022

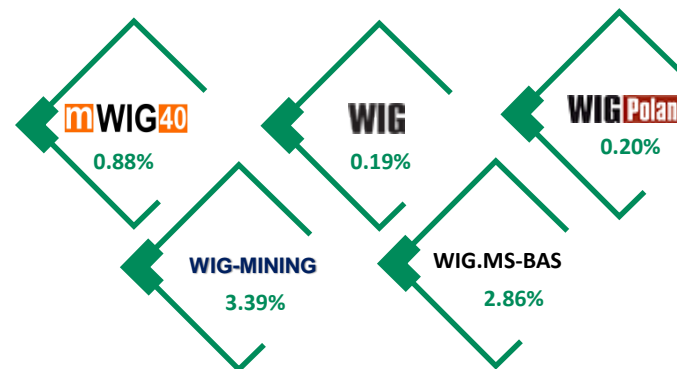


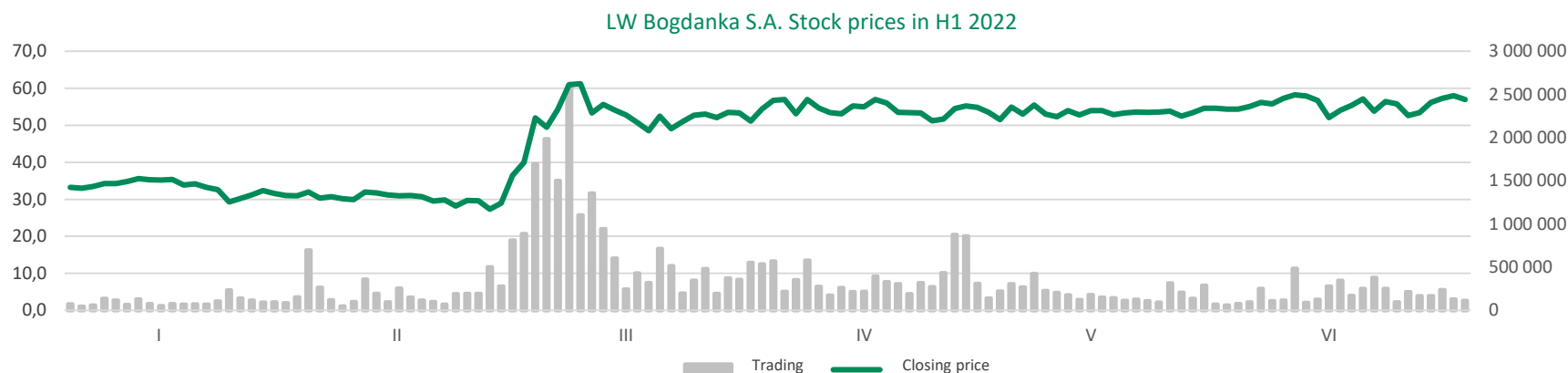
Participation of LW Bogdanka S.A.'s shares in indices

The Company was floated on the Warsaw Stock Exchange S.A. on 25 June 2009. As at the end of H1 2022, LW Bogdanka S.A. was included in the following stock exchange indices:

- WIG - includes all companies listed on WSE Main Market, which meet the base criteria for participation in the indices
- mWIG40 - includes 40 medium-sized companies by market value and turnover, listed on the WSE's Main Market
- WIG Mining - includes companies classified into the "mining" sector (formerly known as the "raw materials" sector)
- WIG-Poland - an index comprised only of shares of domestic companies listed on the WSE Main Market, which meet the base criteria for participation in the indices.
- The WIG.MS-BAS index is published based on the value of a portfolio of stocks of the 5 most liquid companies in industries including energy, mining and raw materials.

In August 2022 the Company returned to the WIG-ESG index of socially responsible companies that conduct their business with respect for environmental, social and corporate governance factors.



Stock prices
LW Bogdanka S.A. stock prices on the Warsaw Stock Exchange

Key share data

	H1 2020	H1 2021	H1 2022
Maximum price [PLN]	36.50	28.50	61.20
Minimum price [PLN]	14.90	19.60	27.35
Last price [PLN]	22.05	28.50	57.00
Average price [PLN]	22.98	23.59	46.91
Capitalization at the end of the period [PLN million]	750.00	969.39	1,938.77
Carrying amount [PLN million]	3,263.0	3,371.1	3,856.0
P/E [market capitalization/net income]	20.4	10.1	5.8
P/BV [market capitalization/book value]	0.23	0.29	0.50
Dividend rate [%]	-	-	29.2
Average trading value per session [PLN 000s]	1,165.8	1,122.0	16,312.5
Average volume per session	56,543	47,221	324,199
Number of shares traded	34,013,590	34,013,590	34,013,590

Analyst recommendations

Date of issue	Institution	Recommendation	Target price	Price on the date of issuing the recommendation
31 January	Ipopema	Sell	PLN 26.54	PLN 31.00
11 February	Santander BM	Sell	PLN 18.50	PLN 31.20
04 March	PKO BP Brokerage House	Buy	PLN 61.00	PLN 49.50
11 March	Noble Securities	Hold	PLN 57.85	PLN 54.10
24 March	BOŚ Brokerage House	Buy	PLN 66.00	PLN 52.10
31 March	Santander Brokerage House	Buy	PLN 79.30	PLN 56.70
9 June	Santander Brokerage House	Buy	PLN 74.70	PLN 57.90

The above information constitutes a summary of brokerage recommendations within the meaning of Commission Delegated Regulation (EU) 2016/1958 of 9 March 2016.

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

Shares in the Company's related parties

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

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

According to the information available to the Parent Company, in the period from the publication of the previous interim report, i.e. the report for Q1 2022, to the date of publication of the report for H1 2022, there were no changes in the number of shares in LW Bogdanka S.A. held by persons discharging management and supervisory functions.

A breakdown of the shareholdings in LW Bogdanka S.A. and in the Company's related parties by persons discharging management and supervisory functions in LW Bogdanka S.A. is presented in the tables*:

MANAGEMENT BOARD					
First and last name	Number of the Company's shares as at 14 September 2022	Par value per share (PLN)	Number of the Company's shares as at 24 May 2022	Par value per share (PLN)	Number of shares in Subsidiaries
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	0	0	0
SUPERVISORY BOARD					
First and last name	Number of the Company's shares as at 14 September 2022	Par value per share (PLN)	Number of the Company's shares as at 24 May 2022	Par value per share (PLN)	Number of shares in subsidiaries
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

*According to the statements by the members of the Issuer's Management Board and Supervisory Board



05

Governing bodies



Composition of the Management Board of LW Bogdanka S.A. as at 14 September 2022

Changes in the composition of the Management Board

On 20 June 2022, the Company's Supervisory Board adopted a resolution to appoint the following persons to the Management Board for a new term of office:

- Mr. Artur Wasil – President of the Management Board,
- Mr. Artur Wasilewski – Vice-President of the Management Board, Economic and Financial Affairs,
- Mr. Dariusz Dumkiewicz – Vice-President of the Management Board, Trade and Investments,
- Mr. Kasjan Wyligąła – Vice-President of the Management Board, Strategy and Development.

In addition, on 6 July 2022, the Company's Supervisory Board appointed Mr. Adam Partyka to the position of Vice-President of the Management Board, Labor and Social Affairs.

Artur Wasil – President of the Management Board

In 2002, he graduated from the Mining Department at the AGH University of Science and Technology in Kraków, majoring in Mining and Geology, specialization: Mining Geotechnics. He has been connected with the Lublin Coal Basin since 2002, when he started his professional career in Lubelski Węgiel Bogdanka S.A., where he advanced from a trainee to the position of the mining division foreman. In 2012, he joined PRG Linter SA as Director of Mining and, starting in 2014, he assumed the position of President of the Management Board. Artur Wasil also completed postgraduate studies in European Project Management and European Union Law at Maria Curie-Skłodowska University in Lublin. Since 21 March 2018, he has been the President of the Management Board of LW Bogdanka S.A.

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

In 1998 he graduated from the Lublin University of Technology, majoring in Management and Marketing; in 2000 he completed postgraduate studies in Corporate Finance and Capital Market and in 2003 Master of Business Administration at University of Warsaw & University of Illinois. Participant of numerous training courses on finance and reporting under IAS/IFRS. Member of Supervisory Boards of capital companies. From 1998 to 2000, he worked as a financial analyst for the consulting company "DEMOS" Sp. z o.o., gaining experience in analysis and valuation of businesses, advising on the introduction of efficiency solutions and preparing privatization reports for the Ministry of State Treasury. Since 2000 he has been working with Lubelski Węgiel Bogdanka S.A. He has worked his way up the career ladder from Financial Analyst, through Manager of the Planning and Analysis Department, to Chief Economist.

From 2013 he served as Director of Controlling and in 2018 assumed the role of Director of Controlling and Finance. Since October 2018, he has been Vice-President of the Management Board, Economic and Financial Affairs of LW Bogdanka S.A.

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

He graduated from the Lublin University of Technology with a Master's degree in Engineering Applications of Information Technology and completed post-graduate studies at the University College of Enterprise and Administration in Lublin majoring in Accounting and Finance. He has completed numerous training courses in auditing, management responsibility and competence, finance for managers, and courses for members of management boards and supervisory boards. He has

been affiliated with Lubelski Węgiel Bogdanka S.A. since 1985. Since June 2014, he was the Deputy Chairman of the NSZZ "Solidarność" Trade Union. From 2007 to 2014 he served as a shift foreman for underground electrical equipment. From 2006 to 2012, he served as a member of the Supervisory Board of LW Bogdanka S.A. From April 2016 to June 2022, served as Vice-President of the Management Board, Labor and Social Affairs at LW Bogdanka S.A., from July 2022 appointed for another term of office of the Management Board

Dariusz Dumkiewicz – Vice-President of the Management Board, Trade and Investments

In 2002 he graduated from the Faculty of Law and Administration of the Maria Curie-Skłodowska University (UMCS) in Lublin, majoring in law, completed postgraduate studies "Project Management and EU Law" organized by the UMCS and the Lublin Development Foundation and, in 2018, Master of Business Administration at the Lublin University of Technology.

Dariusz Dumkiewicz has many years of professional experience in leading development and investment projects. In 2002-2006 he was employed in the Lublin City Hall in managerial positions responsible for implementation of projects financed by EU funds. In 2006 he served as an advisor to the Minister of Labor and Social Policy and as an expert on Eastern Poland Development in the Ministry of Development. In 2007 he became Director of the Strategy and Development Department in the Marshal's Office of Lubelskie Voivodeship. He was responsible for negotiations with the European Commission and financing of infrastructural investments of strategic importance for the voivodeship.

Since 2008, he was a Management Board Member and Vice-President of consultancies advising companies, in particular from the energy sector. In 2016, he assumed the position of Director of the

Lublin Branch of PSG sp. z o.o., a natural gas distributor in the Polskie Górnictwo Naftowe i Gazownictwo S.A. Group. Since 15 October 2018, he has been Vice-President of the Management Board, Development at LW Bogdanka S.A. On 20 June 2022 he was appointed to the position of Vice-President of the Management Board, Trade and Investments.

Kasjan Wyligąła – Vice-President of the Management Board, Strategy and Development

In 2014, he graduated from the Faculty of Law and Administration at the University of Warsaw majoring in law. He also completed post-graduate Executive Master of Business Administration studies at the Institute of Economics of the Polish Academy of Sciences and "Enterprise Finance Management" at the Warsaw School of Economics. Mr. Kasjan Wyligąła has many years of experience in the corporate bodies of commercial companies, including public and foreign ones, gained while sitting on management and supervisory boards.

Mr. Kasjan Wyligąła has been involved in the mining industry since 2016 when he joined the Industrial Development Agency, first as Advisor to the President of the Management Board and then as Director of the Strategic Analysis Office. Starting in 2017, Mr. Kasjan Wyligąła worked for one of the world's largest non-ferrous metals mining companies - KGHM Polska Miedź S.A. in leading management positions, holding the positions of Chief Corporate Governance Officer and Director of the Asset Management Department. As of 14 March 2022, he served as Vice-President of the Management Board, Operations. On 20 June 2022 he was appointed to the position of Vice-President of the Management Board, Strategy and Development.

Composition of the Supervisory Board of LW Bogdanka S.A. as at 14 September 2022

Changes in the composition of the Supervisory Board

No changes were made in the composition of the Supervisory Board in H1 2022.

Composition of the Supervisory Board of LW Bogdanka S.A. as at 14 September 2022:

- **Anna Chudek** - Supervisory Board Chairperson
- **Marcin Jakubaszek** - Supervisory Board Deputy Chairperson
- **Szymon Jankowski** - Supervisory Board Secretary
- **Dariusz Bątyra** - Supervisory Board Member
- **Krzysztof Gigol** - Supervisory Board Member
- **Bożena Knipfelberg** - Supervisory Board Member
- **Zbigniew Rak** - Supervisory Board Member
- **Bartosz Rożnawski** - Supervisory Board Member
- **Grzegorz Wróbel** - Supervisory Board Member

Anna Chudek

She graduated from the Faculty of Law and Administration at Maria Curie-Skłodowska University in Lublin.

She completed her judicial training at the Regional Court in Lublin.

She completed the following postgraduate studies: "European Project Management and European Union Law" at Maria Curie-Skłodowska University in Lublin; "Public Procurement" at the University of Warsaw; "Corporate Law" at the University of Warsaw.

She holds the professional title of a legal advisor and is registered in the list of legal advisors at the Regional Chamber of Legal Advisors in Lublin.

Since 1993 she has been employed as a legal advisor in the Świdnik City Hall, where she manages the Legal Office. She also works at the Świdnik County Hall as a legal advisor - legal services coordinator.

Since 1 March 2007 she has been running her own law firm in which she provides legal services to local government units, public administration offices and commercial law companies, including those from the energy sector.

In 2006-2009 she was a Member of the Supervisory Board of the Polish Radio Regional Broadcasting "Radio Lublin" and, in the period from 3 June 2011 to 25 June 2020, Chairperson of the Supervisory Board of Przedsiębiorstwo Energetyki Ciepłej "PEC" sp. z o.o. in Świdnik.

Marcin Tomasz Jakubaszek

He graduated from the University of Warsaw, Faculty of Law and Administration. He holds the professional title of a legal advisor and is registered in the list of legal advisors at the Regional Chamber of Legal Advisors in Warsaw. In addition, he graduated from the School of British Law organized by the University of Warsaw with the participation of the University of Cambridge. He has 24 years of professional experience. In his career, he worked as a lawyer in Amhurst Brown sp. z o.o., Wardyński & Partners s.c. and Miller, Canfield, W. Babicki & Partners Sp. k.

He was also liquidator in Polcel sp. z o.o. Since 2005 he has been running his own business providing legal advice in the "Marcin Jakubaszek, Radcowie Prawni i Adwokaci" law firm. Since 2015, he has been the managing partner of the "Jakubaszek i Wspólnicy" Sp. k. law firm, where he provides legal advisory services. He is a member of the Audit Committee of the Polish-Canadian Chamber of Commerce and a member of the Audit Committee of the Sue Ryder Foundation.

Szymon Jankowski

He graduated from the Poznań University of Economics and Business, Management Faculty, majoring in Management and Marketing.

He also completed Postgraduate Studies at the Poznań University of Economics and Business in the field of Business Law and Postgraduate Studies at the WSB University in Poznań in the field of Renewable Energy Sources. He developed his competences through training in corporate governance and financial analysis of enterprises. He took a course for candidates for supervisory board members in State

Treasury companies, completed with an exam and a diploma.

He has been professionally connected with the commercial power sector for over 25 years. Since 1999 he has been supervising the companies of the ENEA Group in various positions, most recently as the Head of the Corporate Supervision Department in ENEA S.A.

He has experience in supervising capital companies in the energy, services and IT sectors - he was a member of the supervisory board of, among others Enea Operator sp. z o.o., Enea Centrum sp. z o.o., BHU S.A., Energetyka Poznańska Zakład Transportu sp. z o.o., ITSERWIS sp. z o.o. Since February 2016, he has been a member of the Supervisory Board of LW Bogdanka S.A. where he serves as the Secretary.

Dariusz Bątyra

Completed the mining secondary school in Ostrów Lubelski and graduated from AGH University of Science and Technology in Kraków, majoring in Mining and Geology, specialization: Underground Deposit Mining.

He also completed post-graduate studies in Value Based Management in Mining Companies at AGH University of Science and Technology in Kraków. He has been working for LW Bogdanka S.A. since 1989, first as a mining school pupil and, since July 2001, as an employee of the mine.

In the mine he went through all career levels, from trainee in the mining department to Manager of the Mining Department, first in the Nadrybie field and then in the Bogdanka field.

Since 2017, he has held the position of Deputy Mining Operations Manager.

Since September 2019 he has been Underground Mining Senior Foreman, Deputy Manager of the Mining Department in the Nadrybie field.

Since July 2020, he has been a Member of the Supervisory Board of LW Bogdanka S.A. elected by the employees.

Krzysztof Gigol

He is a graduate of the Faculty of Management at Kozłowski University in Warsaw. He completed post-graduate MBA studies at the University of Finance and Management in Warsaw with a very good mark and was awarded the title of Master of Business Administration.

He has many years of hands-on experience in developing sales and business development strategies and managing teams in the energy and industrial sectors. He effectively created new structures and led organizational restructuring processes. Since 2011 he has been involved in modernization of heating plants and investments in cogeneration and renewable energy sources. He implements long-term projects in the broad field of energy in industry and in companies owned by local government units.

He has been a member of management boards and held senior managerial positions in energy companies such as Gaspol Energy, Energia Polska, Cogen Energy and Energia Obrót.

Expert in energy efficiency and independence, renewable energy sources, and low-emission generation of electricity and heat. He has been involved on a voluntary basis in the work of the Energy Efficiency Development Forum, where he served as an expert, and in the PROZON Climate Protection Foundation as Vice-President of the Management Board. He has authored articles and papers on energy issues and national energy security.

Composition of the Supervisory Board of LW Bogdanka S.A. as at 14 September 2022

Bożena Knipfelberg

She is a graduate of economics, majoring in Management and Marketing at the Opole University of Technology.

She also completed postgraduate studies in accounting and finance at the Warsaw School of Economics. She took a course for candidates for supervisory board members in State Treasury companies, completed with an exam and a diploma issued by the Minister of State Treasury.

Experienced manager in the area of finance in companies from the energy and telecommunications sectors.

She has been working in the commercial power sector since 2007. She has extensive experience in finance, controlling, reporting, purchasing, organizational restructuring and evaluation of effectiveness of investment projects carried out in companies.

Since March 2021 she has been associated with the ENEA Group. She serves as Director of the Group's Controlling Department. Previously associated with the PGE Group where she served as Financial Director of the Opole Power Plant and then as Director of the Financial Controlling Department of PGE Górnictwo i Energetyka Konwencjonalna S.A. She was also the Financial Director in a company from the Polskie Koleje Państwowe Group. She has been a member of the Supervisory Board of Eltur-Service Sp. z o.o. - a PGE Group company.

Zbigniew Rak

Graduated from the AGH University of Science and Technology in Kraków, Mining Faculty, with the degree of M.Sc. Eng. in Mining and Geology. In 1996, he graduated from the Faculty of Management at the same University with a degree in Management and Marketing.

From 1991 to 1992, he studied at the School of Mining at the University of Oviedo, Spain. In 2001, he received the degree of Doctor of Technical Sciences in mining. Since the beginning of his professional career he has been associated with the Faculty of Mining (later Faculty of Mining and Geoengineering) at the AGH University of Science and Technology in Kraków. In addition to his academic work, he works with the mining industry in Poland providing technical advice and design work. Since 2003 he has been an expert of the President of the State Mining Authority on mining plant operation. He has also worked with many mining operations abroad, including in Czech Republic, Slovakia, Russia, Spain and Chile.

Since 2014, he has also had a business focusing on design work for the mining industry. In 2017, he was a member of the Supervisory Board of KOFAMA Koźle S.A. He is the author of more than 50 publications on mining topics.

Bartosz Rożnawski

A graduate of the AGH University of Science and Technology in Kraków with a degree in Engineering, specializing in Environmental Geophysics and Mining and Geology.

At AGH University of Science and Technology he also completed post-graduate studies in Value Based Management in Mining Companies. He holds a Master of Business Administration (MBA) degree in Management from WSB University in partnership with EY Academy of Business.

He started his professional career in 2006 as an intern at LW Bogdanka S.A. and after a year continued it as a shift foreman.

From 2010 to 2012, he was employed as a branch foreman of the mining branch. In 2017, he was entrusted with the position of Mining Department

Manager, and in 2020, the position of Deputy Mining Operations Manager.

Since July 2020, he has been a Member of the Supervisory Board of LW Bogdanka S.A.

Grzegorz Wróbel

He graduated from Maria Curie-Skłodowska University in Lublin, majoring in administration. He also completed post-graduate Executive Master of Business Administration studies at the Warsaw Management University.

He gained his professional experience in Zakład Gospodarki Komunalnej in Obsza.

Since 2011 he has been employed in the Obsza Municipal Office, where he currently holds the position of the Secretary of the Obsza Municipal Office and the position of the Deputy Registrar.

Since 2018, he has been a Councilor of the Lubelskie Voivodeship. He was a Member of the Supervisory Board of Miejskie Zakład Komunikacji Sp. z o.o. in Zamość. Currently Member of the Supervisory Board of RC Ekoenergia Sp. z o.o. in Czechowice-Dziedzice.





Glossary



GLOSSARY

- **CSR** - Corporate Social Responsibility
- **Net debt/EBITDA** - the product of net debt (the sum of interest-bearing short-term and long-term liabilities less cash and cash equivalents) to EBITDA
- **EBIT** - operating profit before interest and taxes
- **EBITDA** - EBIT plus depreciation and amortization and impairment losses
- **PTE** - Technical and Economic Plan
- **LWB** - Lubelski Węgiel Bogdanka S.A.
- **IFRS** - International Financial Reporting Standards adopted for use in the EU
- **Gross margin on sales** - the return on sales ratio is calculated by dividing profit by the value of sales
- **EBITDA profitability** - the ratio of operating profit plus depreciation and amortization to revenue
- **EBIT margin** - the quotient of EBIT calculated for the period and sales revenues for the period
- **Gross margin** - the quotient of gross profit (before tax) and net sales
- **Net margin** - quotient of net profit and net sales
- **Return on Assets (ROA)** - the ratio of a company's net profit to the value of its assets
- **Return on Equity (ROE)** - the ratio of net profit to equity

- **WFOŚiGW** - Voivodeship Fund for Environmental Protection and Water Management
- **Total debt ratio** - total liabilities to total assets
- **Debt to equity ratio** - the ratio of total liabilities to equity
- **Fixed capital to fixed assets ratio** - the quotient of the sum of equity, non-current liabilities, non-current accruals and non-current assets
- **Current debt ratio** - the ratio of short-term debt to total assets
- **Non-current debt ratio** - the quotient of non-current liabilities and equity
- **Current ratio** - ratio of current assets to current liabilities
- **Quick ratio** - determines the ability to pay current liabilities with the most liquid assets of the company
- **APMs** - alternative performance measures



Signatures of all of Management Board members

Artur Wasil

President of the Management Board

.....

Adam Partyka

Vice-President of the Management Board
Labor and Social Affairs

.....

Artur Wasilewski

Vice-President of the Management Board
Economic and Financial Affairs

.....

Dariusz Dumkiewicz

Vice-President of the Management Board
Trade and Investments

.....

Kasjan Wyligala

Vice-President of the Management Board
Strategy and Development

.....

Bogdanka, 13 September 2022



LW Bogdanka S.A.
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gielda@lw.com.pl

