

An aerial photograph of a large industrial complex, 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 orange near the horizon to a pale blue at the top.

Q3 2022

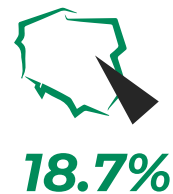
Management Board Report on the Activity
of the LW Bogdanka Group
for Q3 2022



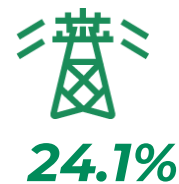
Lubelski Węgiel Bogdanka S.A.

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.

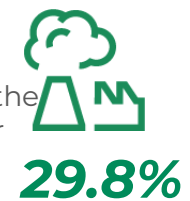
Share in the hard coal market in Poland



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
for the first three quarters of 2022

OPERATING DATA

10.3 million tons

Gross coal production

7.2 million tons

Production of commercial coal

69.6%

Yield

7.2 million tons

Sales of commercial coal

25.2 km

New excavations

FINANCIAL DATA

PLN 2,030.1 million

Sales revenues

PLN 376.6 million

Sales profit

PLN 374.0 million

EBIT

PLN 676.4 million

EBITDA

PLN 310.3 million

Net profit



HEADCOUNT

5,753 FTEs

Headcount
as at the end of Q3 2022

0.1%

Increase in headcount
from H1 2022



Highlights in the first three quarters of 2022

Q1 2022

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

Q2 2022

- 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

Q3 2022 and events until the publication date

- dismissal of the President of the Management Board
- updating the production target for 2022 to approx. 8.3 million tons of commercial coal
- adopting the production target for 2023 of approx. 8.3 million tons of commercial coal
- updating the assumptions announced in the Development Strategy of LW Bogdanka S.A. in the Mining Area of the ENEA Group until 2030 (with an outlook to 2040) – abandonment of mining of type 34 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:

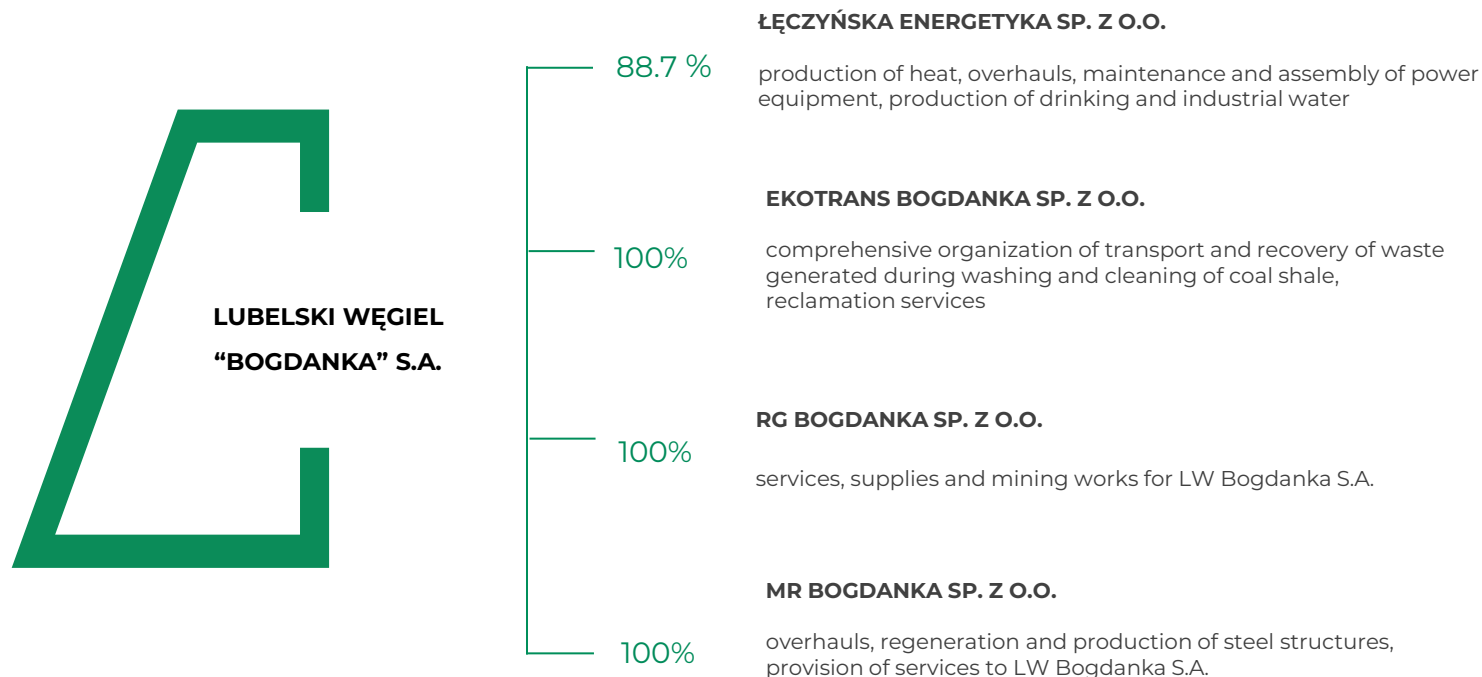
- Act of 15 September 2000 entitled Commercial Company Code
- Act of 9 June 2011 entitled Geological and Mining Law

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

17.01.1975	01.03.1993	29.12.1994	25.06.2009	29.10.2015	17.11.2017	20.12.2019	17.12.2020	18.06.2022
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



Changes in the LW Bogdanka Group's structure

In the first three quarters of 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.

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.

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.

Changes to the Strategy

On 9 November 2022 the Company updated the assumptions announced in the Development Strategy of LW Bogdanka S.A. in the Mining Area of the ENEA Group until 2030 (with an outlook to 2040), one of the basic assumptions of which was to increase the number of products through selective coal mining (type 34).

Due to the results of the completed tests, indicating a small amount of type 34 coal in the samples tested, as well as increased demand for steam coal, the Company has decided to deviate from the aforementioned assumption in order to maximize the production of its core product. The abandonment of selective coal mining in the deposit will allow the Company to increase its potential production capacity after 2026 by approx. 10% compared to the average volumes presented in the current Strategy.

Company is working on a comprehensive update of the Strategy, as part of which other elements of the Strategy, such as the resource base, development plans, as well as strategic initiatives including seeking investment opportunities outside the core business, may also be revised.

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. Expanding business areas (diversification) – leveraging the technical and human potential to undertake effective initiatives outside of

- core business,
- b. Identifying, appraising and documenting new coal resources (coking coal – type 35),
- c. Implementing own innovation programs (technical-technological and occupational safety solutions) to maintain competitive advantage,
- d. 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. On 9 November 2022 the Company announced that it is abandoning the mining of

type 34 coal and focusing on steam coal production.

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 Łęczynska Energetyka sp. z o.o.

The Management Board of Łęczynska 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 of 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 Q1-Q3 2022

During the first three quarters of 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 409,975 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 - a total of PLN 5,604 thousand was allocated for purchase with assembly. The most important items include: air coolers, VSB-1 drilling rig, DMZ50F mining manipulator, ventilation walls, screeners, self-propelled drilling and bolting equipment.
- Purchases of finished goods, machinery and equipment – finished goods were purchased for PLN 17,126 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, LFI circuit breaker), and shunting locomotives.
- Modernization and overhaul of machinery and equipment – PLN 8,822 thousand was earmarked, inter alia, for modernization of the braking trolleys, modernization of suspended railway diesel locomotives, and overhaul of PF-4/1032 and PF-4/932 longwall conveyors.

Longwall shearers – PLN 2,943 thousand was earmarked, among other things, for the modernization of shearer system 7.

Other development investments

- Expansion of the mining waste disposal facility in Bogdanka – expenditures in the amount of PLN 3,696 thousand have been made for the purchase of land, earthworks are underway in Area C, Sector V, a tender has been announced for construction work for the 35K conveyor, and the purchase of 1200 conveyors for Area C mining is under tender.
- 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 3,563 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 and construction of photovoltaic installations.

- Winding engine switchgear facilities and other power systems – expenditure incurred in the amount of PLN 4,455 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 18,316 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 1,283 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 5,297 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 4,802 thousand has been spent, among other things, on an underground wireless communication system, alarm and monitoring systems (monitoring of the company's facilities), energy and mechanical control room, as well as the purchase of computer hardware and systems.

Administration – PLN 232 thousand was spent to purchase equipment for offices and premises.

Means of transport – 3 passenger cars were bought for a total of PLN 719 thousand.

Other – PLN 4,117 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 and purchase of land affected by mining damage.

Operational investments of 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 Q1-Q3 2022 was approximately 23.1 km (in total 25.2 km) and their value amounted to PLN 270,672 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 56,855 thousand.

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

The companies from the LW Bogdanka SA Group incurred expenditures on fixed assets in the amount of PLN 8,511 thousand.

Łęczyńska Energetyka – the investment tasks carried out in 2022 include investments related to generation, transmission and distribution of heat.

In Q1-Q3 2022, the Company earmarked a total of PLN 2,513 thousand for, among other things, 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 5,998 thousand in total. These were expenditures for investments in property, plant and equipment (purchase and installation of machinery and equipment, purchase of computer equipment, including lease of a road header (PLN 3,623 thousand).

Investment activities completed in Q1-Q3 2022

Selected items of capital expenditures in the LW Bogdanka Group

[PLN 000s]	TEP 2022	Implementation of TEP Q1-Q3 2022	Implementation of TEP Q1-Q3 2022 [%]
New excavations and upgrade of existing ones	408,893	327,527	80.1%
Maintenance of machinery	127,827	31,552	24.7%
Securing new concessions	6,000	0	0.0%
Longwall shearers	10,000	2,943	29.4%
Other development investments	65,539	38,083	58.1%
ICT	21,253	4,802	22.6%
Administration	379	232	61.2%
Transport	1,324	719	54.3%
Other	27,985	4,117	14.7%
Total CAPEX in LW Bogdanka S.A.	669,200	409,975	61.3%
Łęczyńska Energetyka Sp. z o.o.	6,000	2,513	41.9%
Other Subsidiaries	3,796	5,998	158.0%
Total CAPEX in the LW Bogdanka Group	678,996	418,486	61.6%

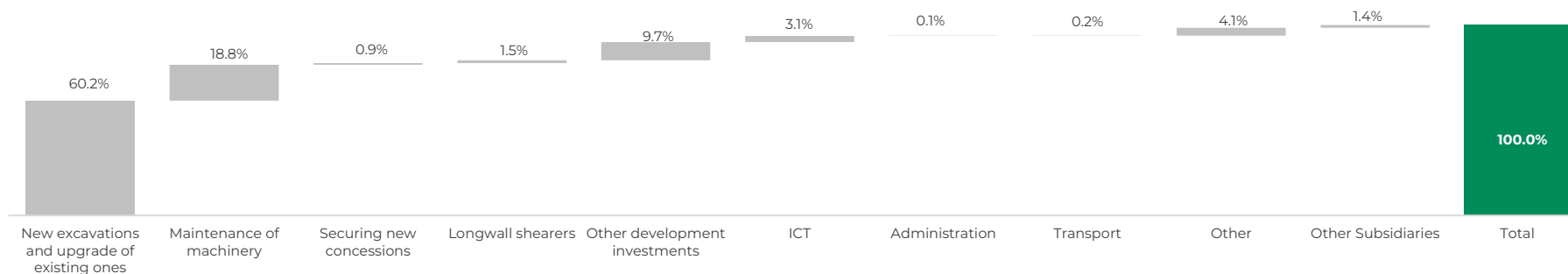
Value of capital expenditures incurred for excavations in Q1-Q3 2022

Total excavations and works	Depreciation method	Length [running meters]	Value of capital expenditures [PLN 000s]
Gate roads	natural	17,277	
Basic excavations	straight-line	4,993	327,527
Reconstructions	straight-line / natural	2,139	

The total length of roadway excavations completed during the first 9 months of 2022 was 23,108 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 56,855 thousand. The total expenditure incurred on new excavations and modernization of existing ones amounts to PLN 270,672 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 838 m.

The share of individual categories in total TEP 2022 capital expenditures (in %)



Price of coal on the international market



CIF ARA coal prices

- 360.9 USD/t - average CIF ARA coal price in Q3 2022 +132.7% vs. Q3 2021 (155.1 USD/t)
- comparing with the average CIF ARA coal price in Q2 2022 (338.0 USD/t) this is an increase of 6.8%
- the average price in the first 3 quarters of 2022 was 309.5 USD/t, up 197.6% y/y (104.0 USD/t)

Inventories in ARA ports

- approx. 6.4 million tons of coal inventories at the end of September 2022 at ARA ports (at the end of June 2022 it was 6.6 million tons)

Prices at major ports worldwide

- 118.4 USD/t - average Baltic Ports FOB price in Q3 2022 vs. Q3 2021 (136.4 USD/ton) – down by 13.2%
- comparing with the average CIF ARA coal price in Q2 2022, i.e. 163.2 USD/t, it decreased by 27.5%
- the average price in the first 3 quarters of 2022 was 157.6 USD/t, up 71.7% y/y (91.8 USD/t)

China

- approx. 3.3 billion tons of coal were produced during the first 3 quarters of 2022, or +13.8% vs. the first 3 quarters of 2021 (2.9 billion tons)
- in the first 3 quarters of 2022 imports totaled 200.9 million tons, down approximately 12.8% from the first 3 quarters of 2021 (239.4 million tons)

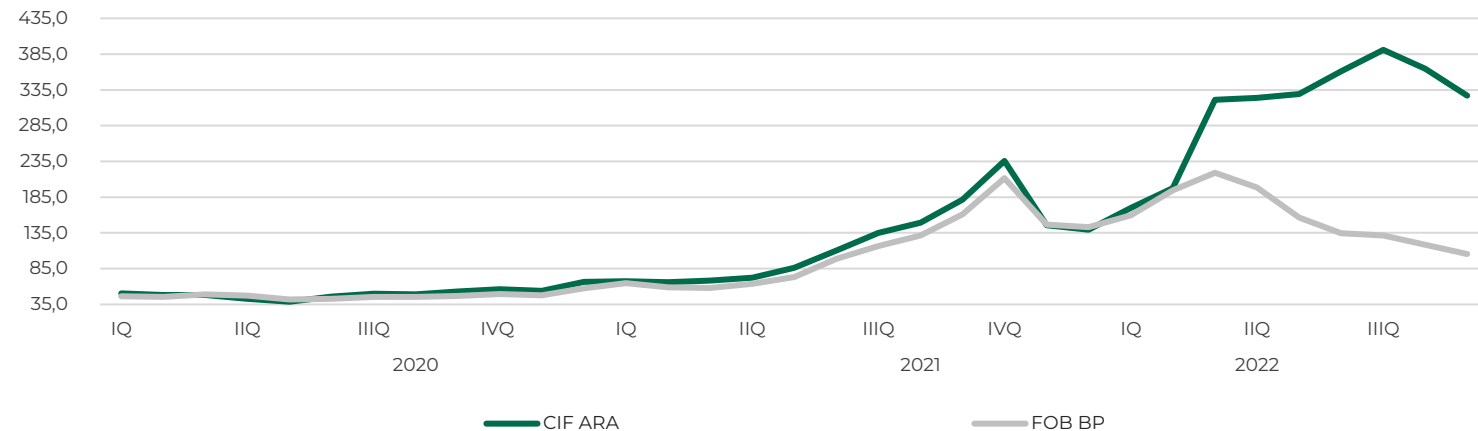
USA

- in the first 3 quarters of 2022 production was 402.7 million tons, up 1.7% vs. the first 3 quarters of 2021 (396.1 million tons)
- in the first 3 quarters of 2022 consumption was 361.4 million tons, down 7.4% vs. the first 3 quarters of 2021 (390.3 million tons)
- in the first 3 quarters of 2022 exports totaled 57.8 million tons of coal, down 2.5% from the first 3 quarters of 2021

Russia

- in the first 3 quarters of 2022 production was 331.0 million tons, up 4.0% vs. the first 3 quarters of 2021 (318.0 million tons)
- in the first 3 quarters of 2022 exports stood at 128 million tons, down 20.0% vs. the first 3 quarters of 2021 (160.0 million tons)

Price of coal on the international market (USD/t)



Prices for fine steam coal on the domestic market



Price of fine steam coal

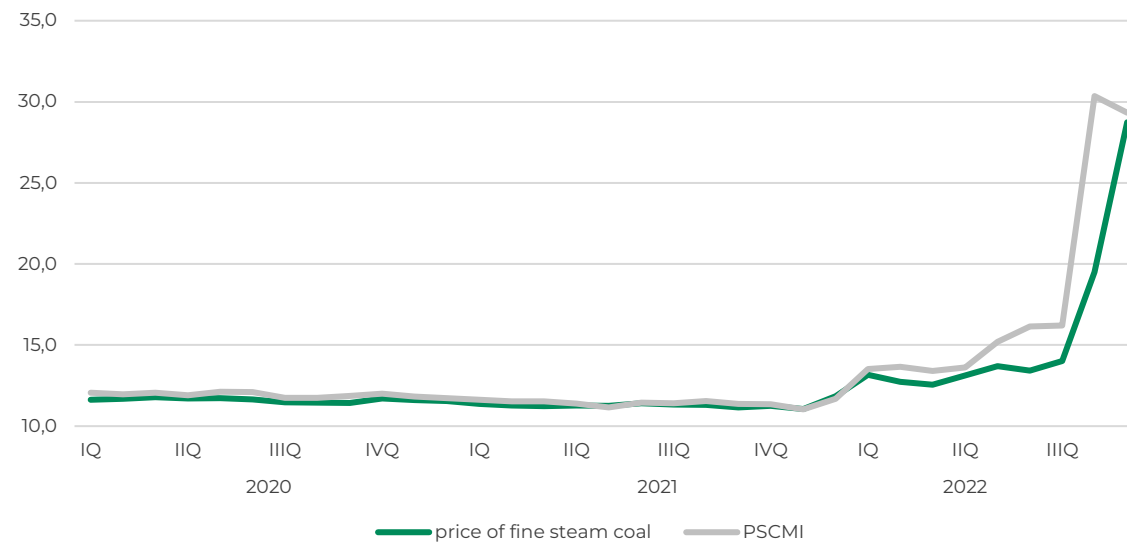
- the average price of fine steam coal for the commercial power sector in Q3 2022 was PLN 20.75/GJ, the price growth rate was ca. 84.3% (PLN 11.26/GJ in Q3 2021) during the first three quarters of 2022
- (PLN 15.66/GJ) – up 38.8% compared to the first 3 quarters of 2021 (PLN 15.66/GJ)
- The average calorific value of fine coal for the commercial power sector was approx. 21.1 GJ

Prices from the PSCMI index

- The average price from the PSCMI Index in Q3 2022 was approx. PLN 25.30/GJ, compared to the average price in Q3 2021 (PLN 11.44/GJ), the increase was approx. 121.2%
- in the first 3 quarters of 2022, the price was PLN 17.94 thousand/GJ vs. PLN 11.44 thousand/GJ in the first 3 quarters of 2021, a y/y increase of 56.8%

The high level, calculated statistically, of average steam coal sales prices in August and September, is the result of coal companies renegotiating coal sales prices and including in the revenues of those months adjustments to invoices from previous months.

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



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



Steam coal production in Poland

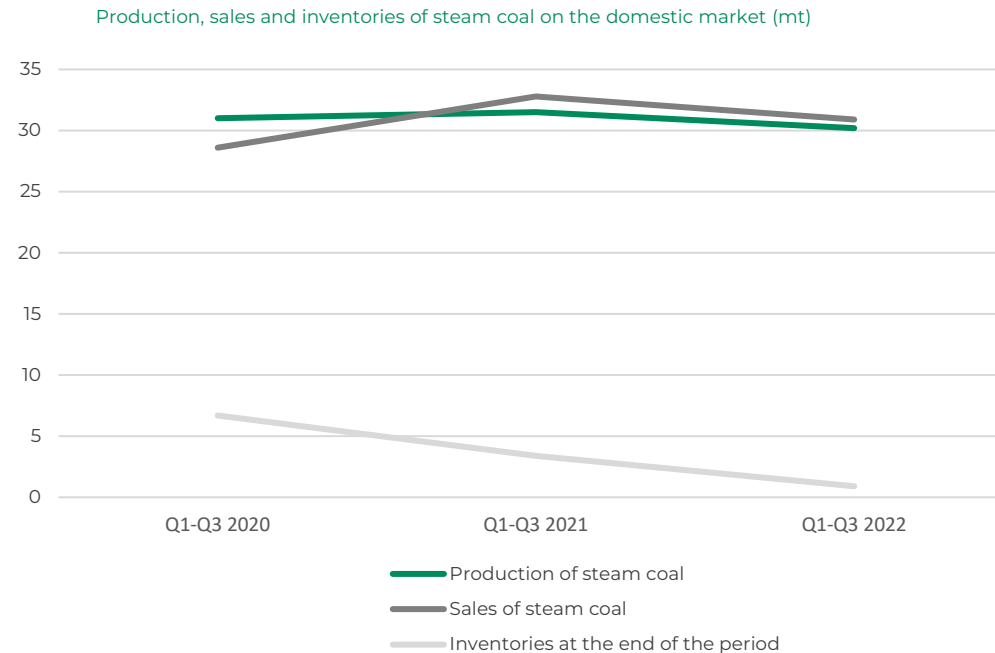
- in the first 3 quarters of 2022, steam coal production was 30.2 million tons, down 4.1% y/y

Steam coal sales in Poland

- the sales in the first 3 quarters of 2022 amounted to approx. 30.9 million tons, of which sales to the commercial power sector amounted to approx. 20.4 million tons of fine steam coal
- compared to the first 3 quarters of 2021, steam coal sales decreased by approx. 5.6%

Coal inventories in Poland

- at the end of Q3 2022, steam coal inventories were 0.9 million tons (3.4 million tons at the end of Q3 2021), down 73.5%



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



Key buyers of steam coal in Poland

The commercial power sector is the main buyer of steam coal in Poland, buying approx. 20.4 million tons of fine steam coal. The most important buyers in the commercial power sector are:

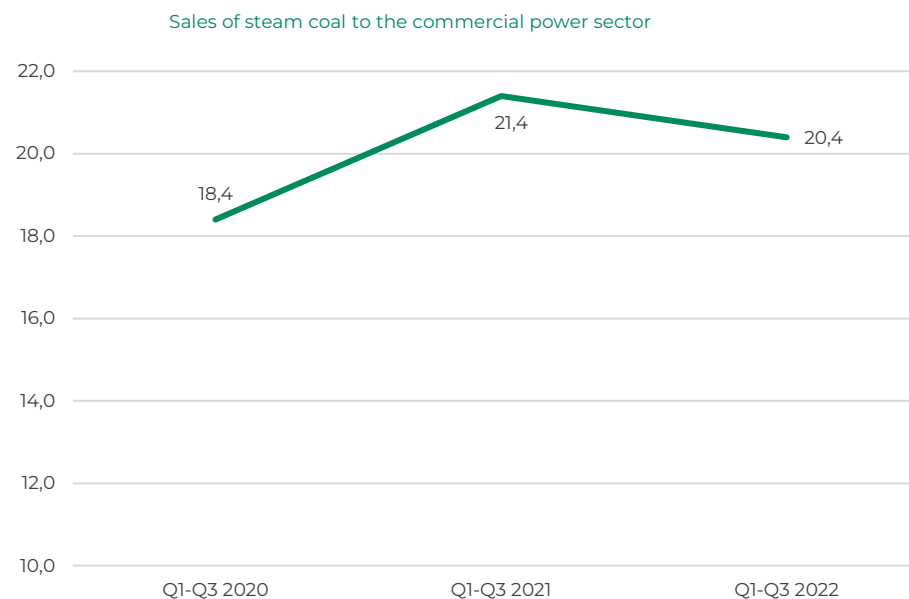
- Tauron
- PGE
- Enea
- PGNiG
- ENERGA

Steam coal sales in Poland

In the first 3 quarters of 2022, approximately 30.9 million tons of steam coal was sold in Poland. Approximately 29.7 million tons of steam coal were delivered to the domestic market, including 25.9 million tons of fine steam coal.

Coal exports

Approximately 3.7 million tons of coal was exported, including approx. 1.2 million tons of steam coal.



Electricity production in Poland



Total electricity production

- in the first 3 quarters of 2022 130,441 GWh of electricity was produced, compared to the first 3 quarters of 2021, this was an increase of 126,329 GWh (3.3%).

Electricity production from coal

- the main fuel used for electricity production was coal, which generated 99,325 GWh in the first 3 quarters of 2022, down 1.862 GWh (1.8%) compared to the first 3 quarters of 2021
- in the first 3 quarters of 2022, coal was the source of 76.1% of all electricity production in Poland; its share in the fuel mix was lower by 4.0% compared to the first 3 quarters of 2021.

Electricity production from hard coal

- hard coal produced 63,771 GWh of electricity (down 6.1% vs. the first 3 quarters of 2021)

Production of electricity from lignite

- lignite produced 35,554 GWh (up 7.0% vs. the first 3 quarters of 2021)

Production of electricity from wind power plants

- wind power generated 13,572 GWh, up 46.6% from the first 3 quarters of 2021. The share of wind in electricity generation was approx. 10.4%.

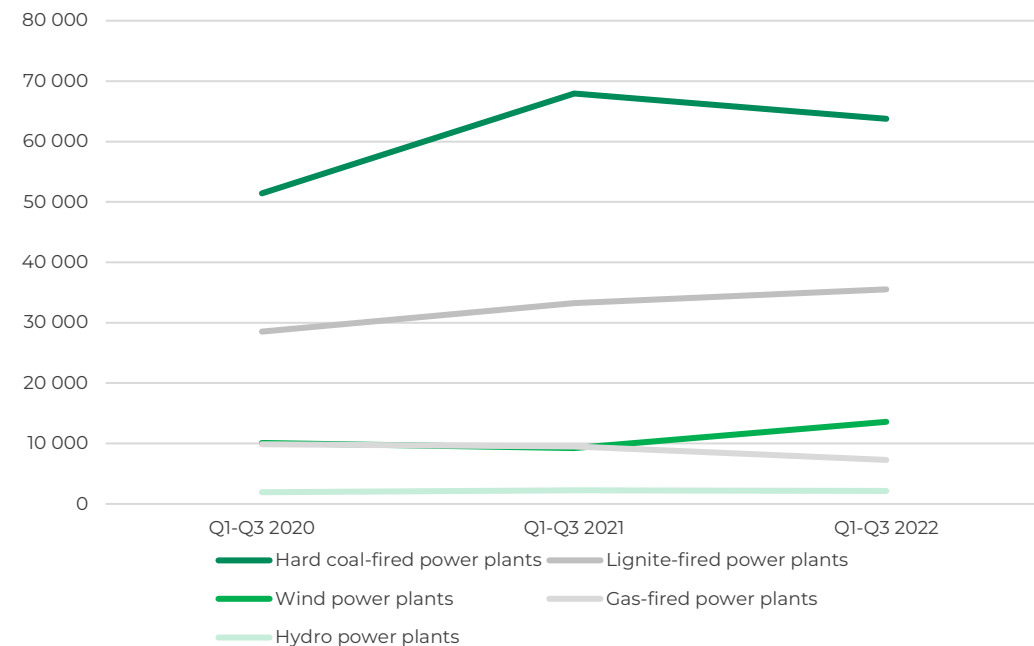
Production of electricity from gas-fired power plants

- gas-fired power generation was 7,282 GWh, down 23.4% compared to the first 3 quarters of 2021

Domestic electricity consumption

- 128,942 GWh of electricity was consumed in the first 3 quarters of 2022, up 360 GWh (0.3%) vs. the first 3 quarters of 2021.

Electricity production in Poland (GWh)



Description of factors which, in the opinion of the LW Bogdanka Group, will affect the results generated by the Parent Company and its subsidiaries in the perspective of at least the next quarter

For a full description of the risks to the Group's operations, see the 2021 report. The following are the factors that the Group believes are most significant as we look ahead to the next (fourth) quarter of 2022.

Factors 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.

Factors 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 and continued in H1 2022, in Q3 of this year the prices stabilized. The high level of global prices was directly related to the armed conflict in Ukraine and the sanctions targeting Russia. The high demand for gas and the uncertainty in the supply of raw materials 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. The price increase continued in Q3 of this year. At present, we can observe a significant increase in the demand for coal in Poland, which is related to a reduction in imports from the East, resulting from the armed conflict in Ukraine and the accompanying economic sanctions.

Factors related to launch of production from new fields by the Parent Company

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 factors

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 adverse events materializing
- research and development to increase productivity and improve workplace safety.

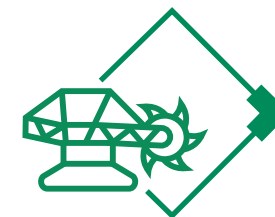
Factors related to the strong position of the trade unions in the Group

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 September 2022, there were six trade union organizations active in the Group (of which, at LWB, there were four trade union organizations representing approx. 62.96 % 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 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.

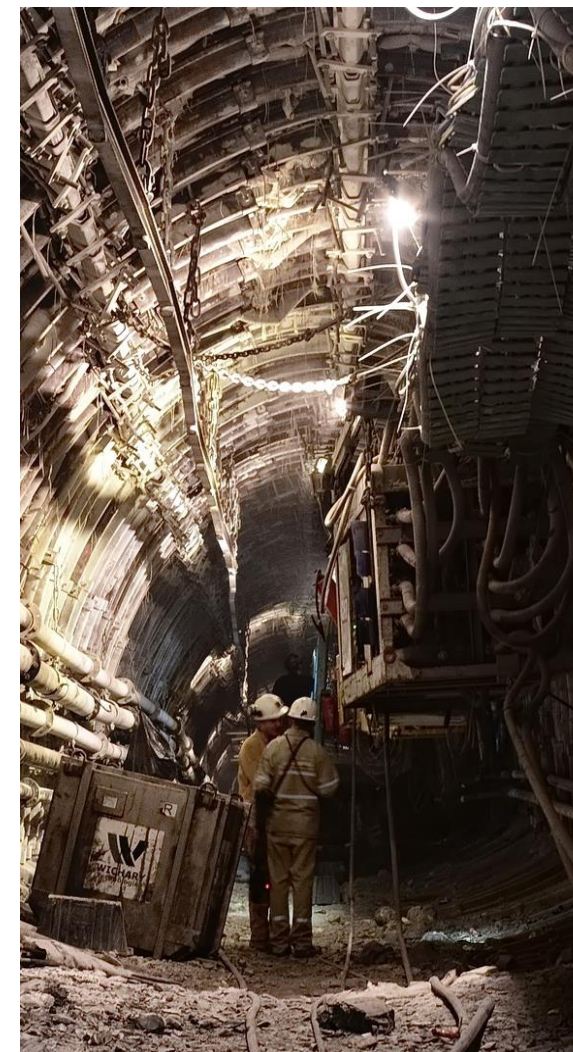
With regard to the impact of the above event on the Group, one should bear in mind, among other things, export sales, the vast majority of which involved coal sales to Ukraine and which accounted for about 3.8% of consolidated sales revenues in the first 3 quarters of 2022.

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 the first 3 quarters of 2022 and should not have such an effect in the short term. Still, such impact may be felt in the longer term.



Changes in headcount

Headcount in the Group

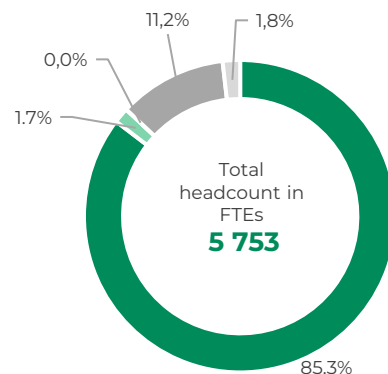
The headcount in the Group at the end of Q3 2022 was at a similar level compared to the end of Q3 2021 (0.1% increase).

Headcount in the Parent Company

At the end of Q3 2022 the Parent Company employed 85.3% of the Group's total workforce. Blue-collar workers accounted for 81.9% of the total workforce. Compared to Q3 2021, the number of underground workers was on a similar level. The employees working underground constituted the core group of employees at LW Bogdanka S.A., i.e. 72.4%.

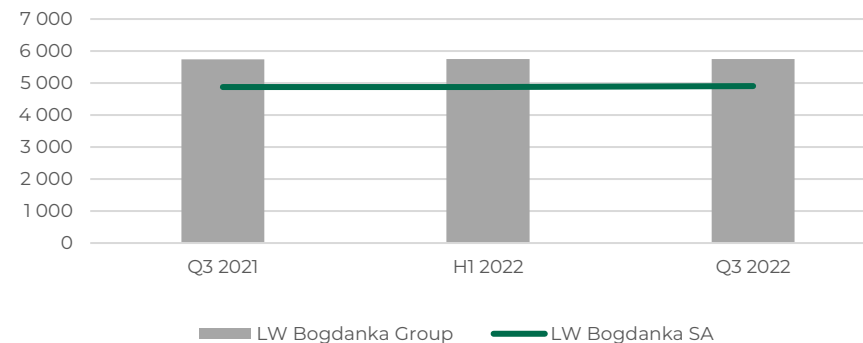
In the first 3 quarters of 2022, 123 people were hired by LW Bogdanka S.A., while 108 people left the Company in the same period.

Headcount in FTEs	30.09.2021	30.06.2022	30.09.2022	Employment structure in the Group	Change Q3 2022/ Q3 2021	Change Q3 2022/ H1 2022
Total						
Total workers	4,080.0	4,020.0	4,022.0	-	-1.4%	0.0%
Underground employees	3,131.0	3,065.0	3,058.0	-	-2.3%	-0.2%
Surface employees	949.0	955.0	964.0	-	1.6%	0.9%
Full-time underground employees	425.0	476.0	494.0	-	16.2%	3.8%
Full-time surface employees	370.0	383.2	392.6	-	6.1%	2.5%
Total underground	3,556.0	3,541.0	3,552.0	-	-0.1%	0.3%
LW Bogdanka S.A.	4,875.0	4,879.2	4,908.6	85.3%	0.7%	0.6%
RG Bogdanka Sp. z o.o.	697.9	669.8	645.6	11.2%	-7.5%	-3.6%
MR BOGDANKA Sp. z o.o.	77.5	105.5	103.5	1.8%	33.5%	-1.9%
EkoTrans Bogdanka sp. z o.o.	2.0	1.0	1.0	0.0%	-50.0%	0.0%
Łęczyńska Energetyka Sp. z o.o.	93.0	93.0	94.4	1.7%	1.5%	1.5%
LW Bogdanka Group	5,745.4	5,748.5	5,753.1	100.0%	0.1%	0.1%



Employment structure in the LWB Group by companies

- LW Bogdanka SA
- Łęczyńska Energetyka sp. z o.o.
- EkoTrans sp. z o.o.
- RG Bogdanka sp. z o.o.
- MR Bogdanka sp. z o.o.



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.

In October 2022, the first meeting of the Council was held at LW Bogdanka's headquarters, where members were able to learn about the mine's environmental performance internally and activities outside the organization. Mr. Grzegorz Grzywaczewski, Professor of the University of Life Sciences in Lublin, was elected chairman of the Council.



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 Łęczyńsko-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.

In 2022 two tasks are being implemented:

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.

As part of the implementation of the tasks, on 9 September 2022, a meeting was held for elementary schools children in "Poleskie Siolo" in the Poleski National Park. As part of the event, participants had the opportunity to learn about bird species found in the Lublin region and took part in educational field games.



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

Bogdanka intends 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.

In September, an agreement was signed between LW Bogdanka and the CZH Group on cooperation in the recovery of coal from spoil tips. Harnessing the potential of mine spoil tips and the coal and other materials stored in them is intended as a form of diversification of raw material sources.

Methodology for measuring carbon footprint

In 2021a specially appointed interdisciplinary team of developed a methodology and calculating the carbon footprint of the LW Bogdanka Group. By the end of this year, the methodology for calculating the carbon footprint for three of our products

- total steam coal, fine coal and mining waste - is expected to be completed. 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.



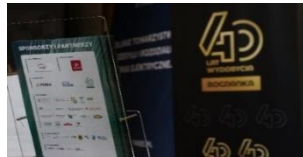
Bogdanka initiates the Łęczyński Energy Cluster

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 Voivodeship 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 designing a mural to be created using the so-called anti-smog paints. As part of the 40th anniversary of mining, a Scientific Symposium "The Art of Mining" was organized, bringing together 200 scientists and practitioners from all over Poland. They discussed the changes in the Polish mining industry over the past few decades and Bogdanka's path that has made it one of the most modern mines. Innovation, the latest technologies and the use of pioneering solutions on a global scale are what distinguish our Company.



Bogdanka Socially Committed

It is a program that addresses the needs of the Company's socially engaged employees. Since the beginning of 2022, 32 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.

As part of the program, in July and August, an event entitled "CATCH YOUR BREATH - Yoga in the Park" was organized for the second time, which offered a chance to enjoy the benefits of yoga free of charge, and also became a motivation to use the Łęczna green areas. The weekly classes were attended by an average of about 20 people, including adults, seniors and even entire families with children.

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, 36 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, and even the development of web portals.

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.



Letter of intent signed with Lublin universities

In September, a letter of intent in cooperation between the Company and the Lublin University of Technology, Medical University, Maria Curie-Skłodowska University and the University of Life Sciences was signed at LW Bogdanka's headquarters.

Bogdanka has been cooperating for years with Lublin universities on educational and business levels.

This cooperation will benefit all parties, and technical students will receive support and internship opportunities, as well as assistance with thesis writing.

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 6 sick children. The Company has shown great support to the 5-year-old son of one of LW Bogdanka's employees - little Czarek, who suffers from brain cancer. The Management Board of LW Bogdanka prepared a visit to the ODTJ track in Lublin for the boy. The entire local community, joined by our Company, took part in the #TeamCzarus Challenge.

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. One of the events was the Local Product Fair organized in the Łęczna county, with LW Bogdanka as a partner in the preparation.

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. The photographic project Obverse and Reverse of Art ended in September.

Social issues

[S – Social]

In H2 2022, LW Bogdanka, together with the County Office in Łęczna, launched a project entitled “Active and fulfilled”. The event was aimed at women from the County of Łęczna. The project includes six thematic modules aimed at building the position of women in the modern world. A total of 30 participants, members of 6 local rural women's associations, joined the event. The organized activities take the form of both workshops and lectures, aimed at stimulating hobbies, passions, interests, as well as entrepreneurship among women living in rural areas.



“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 Górnik, has waived the commission.

Every morning, a group of volunteers prepared 500 sandwiches each in a room set aside by PHU Górnik. 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 with diplomas and trophies entities actively supporting the health service and fighting the virus.

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 Wyligała.

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.

Kurier Lubelski's Hundred

During the Kurier Lubelski Gala, Bogdanka was awarded the title of leader in the "corporate social responsibility" category. The Kurier's Hundred is an important source of information on the condition and development of business entities in the Lublin Voivodeship.

Meanwhile, in "The Best Annual Report 2021" competition organized by the Institute of Accounting and Taxation, the company received an honorable mention for the best activity report. The purpose of the contest was to promote annual reports with the highest utility for shareholders and investors.



03

Financial standing



Coal production, sales and inventories

Production, sales of Company's commercial coal

[000 tons]	Q3 2021	Q3 2022	Change	% change	Q1-Q3 2021	Q1-Q3 2022	Change	% change
Gross coal production	3,759	2,596	-1,163	-30.9%	10,667	10,296	-371	-3.5%
Production of commercial coal	2,556	1,593	-963	-37.7%	7,503	7,163	-340	-4.5%
Yield (%)	68.0%	61.4%	-6.6 p.p.	-9.7%	70.3%	69.6%	-0.7 p.p.	-1.0%
Sales of commercial coal	2,654	1,920	-734	-27.7%	7,244	7,157	-87	-1.2%
New excavations (km)	5.0	6.9	1.9	38.0%	15.4	25.2	9.8	63.6%

Company's commercial coal inventories

[000 tons]	30.09.2021	31.12.2021	30.09.2022	Change [%] 30.09.2022 / 31.12.2021	Change [%] 30.09.2022 / 30.09.2021
Coal inventories	381	21	27	28.6%	-92.9%

Commercial coal production structure

	[%]	Q3 2021	Q3 2022	Q1-Q3 2021	Q1-Q3 2022
Fine coal		97.8%	97.9%	98.7%	98.7%
Nut coal		0.1%	0.4%	0.0%	0.1%
Pea coal		2.1%	1.7%	1.3%	1.2%
Total		100.0%	100.0%	100.0%	100.0%

The Group's lower operating results during the first 3 quarters of 2022 were mainly influenced by geological problems that occurred in Q3 2022 (there was a sudden and unexpected increase in operating pressure in longwall 3/VII/385, resulting in a squeeze), which led to lower coal production and thus sales, but this was offset by higher contract prices at the Parent Company.

Coal production

(-) gross coal production in the first 3 quarters of 2022 decreased y/y by 3.5%, i.e. by 371 thousand tons
(-) commercial coal production in the first 3 quarters of 2022 was 7,163 thousand tons, down 340 thousand tons from the corresponding period of 2021

(-) yield was 69.6% the first 3 quarters of 2022, compared to 70.3% in the corresponding period of 2021

Sales of coal

(-) in Q3 2022, coal sales decreased 27.7% compared to Q3 2021
(-) commercial coal sales the first 3 quarters of 2022 was 7,157 thousand tons, down 1.2% from the corresponding period of 2021

Inventories

(+) at the end of Q3 2022, coal inventories totaled 27 thousand tons, up 6 thousand tons from 31 December 2021
(-) the coal inventories presented at the end of Q3 2022 corresponds approximately to one day of commercial coal production (based on 6-month average daily production)

Commercial coal production structure

(+) the share of production of fine coal sold to industrial customers was maintained
(+) in Q3 2022 as well as in the first 3 quarters of 2022, 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]	Q3 2021*	Q3 2022	Change	% change	Q1-Q3 2021*	Q1-Q3 2022	Change	% change
Sales of coal	623,122	553,166	-69,956	-11.2%	1,679,032	1,976,895	297,863	17.7%
Other business	8,252	8,821	569	6.9%	28,517	35,564	7,047	24.7%
Sales of goods and materials	5,197	5,538	341	6.6%	12,960	17,655	4,695	36.2%
Total	636,571	567,525	-69,046	-10.8%	1,720,509	2,030,114	309,605	18.0%

Structure of revenues

[%]	Q3 2021*	Q3 2022	Q1-Q3 2021*	Q1-Q3 2022
Sales of coal	97.9%	97.5%	97.6%	97.4%
Other business	1.3%	1.6%	1.7%	1.7%
Sales of goods and materials	0.8%	0.9%	0.7%	0.9%
Total	100.0%	100.0%	100.0%	100.0%

Geographical structure of sales revenues

[PLN 000s]	Q3 2021*	Structure	Q3 2022	Structure	Q1-Q3 2021*	Structure	Q1-Q3 2022	Structure
Domestic sales	604,757	95.0%	567,491	100.0%	1,650,926	96.0%	1,953,708	96.2%
Foreign sales	31 8134	5.0%	34	0.0%	69,583	4.0%	76,406	3.8%
Total	636,571	100.0%	567,525	100.0%	1,720,509	100.0%	2,030,114	100.0%

* Items after restatement for 2021 due to the Group's application of the amendments to IAS 16 - see Note 2 of the Consolidated Quarterly Report for Q3 2022 for details.

Revenue from sales of coal

(-) in Q3 2022, the Group earned PLN 553,166 thousand in revenue from sales of coal, down 11.2% compared to Q3 2021.

(+) in the first 3 quarters of 2022, revenue from sales of coal amounted to PLN 1,976,895 thousand compared to PLN 1,679,032 thousand in the same period of 2021, a y/y increase of 17.7%.

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 Q3 2022, revenue from other operations (which includes, among others, revenues of subsidiaries earned outside the LW Bogdanka Group) amounted to PLN 8,821 thousand, compared to PLN 8,252 thousand in the corresponding period of 2021, up 6.9% 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 Łęczynska 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 the first 3 quarters of 2022, revenue from other operations amounted to PLN 35,564 thousand, compared to PLN 28,517 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 the first 3 quarters of 2022, coal sales to foreign countries (mainly Ukraine) were made with the participation of an intermediary coal entity.

In the first 3 quarters of 2022, the value of exports amounted to PLN 76,406 thousand, which accounted for 3.8% of total sales revenues. Steam coal exports to Ukraine in the period under analysis 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) the first 3 quarters 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. 54% share in revenues
- Enea Elektrownia Połaniec S.A. - Grupa Enea S.A. - approx. 16% share in revenues

Key financial results LW Bogdanka Group

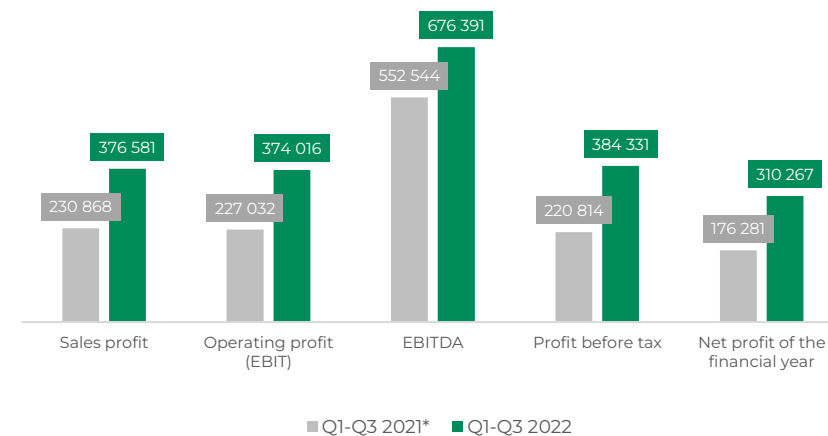
Analysis of the consolidated statement of profit or loss

[PLN 000s]	Q3 2021*	Q3 2022	Change	Q1-Q3 2021*	Q1-Q3 2022	Change
Sales revenues	636,571	567,525	-10.8%	1,720,509	2,030,114	18.0%
Cost of sales, selling and distribution expenses, and administrative expenses	533,166	605,703	13.6%	1,489,641	1,653,533	11.0%
Profit/(loss) on sales	103,405	-38,178	-136.9%	230,868	376,581	63.1%
Gross margin on sales	16.2%	-6.7%	-22.9 p.p.	13.4%	18.5%	5.1 p.p.
Other revenues	158	393	148.7%	1,135	1,433	26.3%
Other costs	343	415	21.0%	654	1,319	101.7%
Operating profit / (loss) net	103,220	-38,200	-137.0%	231,349	376,695	62.8%
Other net profits / (losses)	-2,533	258	-110.2%	-4,317	-2,679	-37.9%
Operating profit / (loss) (EBIT)	100,687	-37,942	-137.7%	227,032	374,016	64.7%
EBIT margin	15.8%	-6.7%	-22.5 p.p.	13.2%	18.4%	5.2 p.p.
EBITDA	212,544	60,999	-71.3%	552,544	676,391	22.4%
EBITDA profitability	33.4%	10.7%	-22.7 p.p.	32.1%	33.3%	1.2 p.p.
Financial income	106	11,979	11,200.9%	248	21,364	8,514.5%
Financial costs	2,179	4,287	96.7%	6,466	11,049	70.9%
Profit/(loss) before tax	98,614	-30,250	-130.7%	220,814	384,331	74.1%
Profit margin before tax	15.5%	-5.3%	-20.8 p.p.	12.8%	18.9%	6.1 p.p.
Income tax	21,913	-4,473	-120.4%	44,533	74,064	66.3%
Net profit/(loss) of the financial year	76,701	-25,777	-133.6%	176,281	310,267	76.0%
Net profitability	12.0%	-4.5%	-16.6 p.p.	10.2%	15.3%	5.1 p.p.

* Items after restatement for 2021 due to the Group's application of the amendments to IAS 16 - see Note 2 of the Consolidated Quarterly Report for Q3 2022 for details.



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



Key financial results LW Bogdanka Group

Sales revenues

Sales revenues in Q3 2022 decreased by 10.8% compared to the corresponding period of last year and stood at PLN 567,525 thousand. In the first 3 quarters of 2022, the Group generated revenue in the amount of PLN 2,030,114 thousand compared to PLN 1,720,509 thousand in the corresponding period of 2021 (18.0% increase).

Cost of sales, selling and distribution expenses, and administrative expenses

In Q3 2022, the cost of sales, and selling and distribution and administrative expenses amounted to PLN 605,703 thousand and were higher by PLN 72,537 thousand compared to the corresponding period of the previous year, when they stood at PLN 533,166 thousand. In the first 3 quarters of 2022, the cost of products, materials and goods sold, and selling and distribution and administrative expenses increased from PLN 1,489,641 thousand to PLN 1,653,533 thousand.

Profit/(loss) on sales

In Q3 2022, sales loss amounted to PLN -38,178 thousand, compared to a PLN 103,405 thousand sales profit generated in the corresponding period of 2021.

In the first 3 quarters of 2022 the Group generated sales profit in the amount of PLN 376,581 thousand compared to PLN 230,868 thousand in the same period of 2021.

Other revenues

Other revenues in the first 3 quarters of 2022 amounted to PLN 1,433 thousand versus PLN 1,135 thousand a year earlier. The slight increase compared to the corresponding period of 2021 is mainly due to an excise tax refund of PLN 298 thousand received during the current period and the higher amount of derecognized impairment losses and provisions, with lower amount of compensations received.

Other costs

Other expenses in the first 3 quarters of 2022 amounted to PLN 1,319 thousand, compared to PLN 654 thousand in the same period of 2021 – the increase is primarily due to more than double the amount of donations.

Other net gains/(losses)

Other net gains were PLN 258 thousand in Q3 2022, compared to other net losses of PLN -2,533 thousand in Q3 2021.

In the first 3 quarters of 2022 other net losses amounted to PLN -2,679 thousand, compared to PLN -4,317 thousand in the same period of 2021. Such significant differences, both in Q3 and in the first 3 quarters of 2022 and 2021, are mainly due to the difference in the amount of impairment losses on fixed assets created and the difference on the valuation and performance of forward contracts.

EBIT

The operating result in Q3 2022 amounted to PLN -37,942 thousand. At the same time EBITDA profitability amounted to -6.7%, which is 22.5 p.p. less than in Q3 of the previous year.

EBIT profitability for the first 3 quarters of 2022 was 5.2 p.p. higher than in the first 3 quarters of 2021, and stood at 18.4%.

EBITDA

EBITDA in Q3 2022 decreased by 71.3% compared to Q3 2021 and amounted to PLN 60,999 thousand. EBITDA profitability in Q3 2022 was lower than that achieved in the corresponding period of 2021 and amounted to 10.7%.

In the first 3 quarters of 2022 the Group achieved EBITDA profitability of 33.3%, 1.2 p.p. higher than in the same period of 2021 (EBITDA increased by 22.4% in the period under review). EBITDA in the first 3 quarters of 2022 amounted to PLN 676,391 thousand compared to PLN 552,544 thousand in the same period of 2021.

Financial income

Financial income in Q3 2022 amounted to PLN 11,979 thousand, compared to PLN 106 thousand in Q3 2021.

Financial income in the first 3 quarters of 2022 amounted to PLN 21,364 thousand versus PLN 248 thousand a year earlier. Financial income in the 2022 period under analysis consists nearly entirely of interest income on bank deposits.

Such a significant increase is due to the rise in market interest rates during 2022.

Financial costs

Financial costs for Q3 2022 were 96.7% higher than in the corresponding period of 2021 and amounted to PLN 4,287 thousand.

Financial costs in the first 3 quarters of 2022 amounted to PLN 11,049 thousand compared to PLN 6,466 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 September 2022, the Group had total debt of PLN 5,651 thousand, compared to PLN 12,182 thousand as at 31 December 2021.

Profit/(loss) before tax

In Q3 2022, the Group recorded a loss before tax of PLN 30,250 thousand compared PLN 98,614 thousand in Q3 2021.

Profit before tax for the first 3 quarters of 2022 amounted to PLN 384,331 thousand, compared to PLN 220,814 thousand in the corresponding period of 2021.

Net profit/(loss) for the period

In Q3 2022, the Group generated a net loss of PLN 25,777 thousand compared to a PLN 76,701 thousand profit in Q3 2021.

The Group's net profit for the first 3 quarters of 2022 amounted to PLN 310,267 thousand, compared to PLN 176,281 thousand in the corresponding period of the previous financial year.

LW Bogdanka Group's balance sheet

Balance sheet [PLN 000s]	31.12.2021*	30.09.2022	Change
Total assets	4,731,540	4,920,014	4.0%
Return on assets (ROA)**	6.3%	8.7%	2.4 p.p.
Non-current assets	3,705,924	3,792,108	2.3%
Current assets	1,025,616	1,127,906	10.0%
Equity	3,617,601	3,851,261	6.5%
Return on Equity (ROE)**	8.3%	11.3%	3.0 p.p.
Provisions and liabilities	1,113,939	1,068,753	-4.1%

* Items after restatement for 2021 due to the Group's application of the amendments to IAS 16 - see Note 2 of the Consolidated Quarterly Report for Q3 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 September 2022 + as at 31 December 2021)/2.

Assets

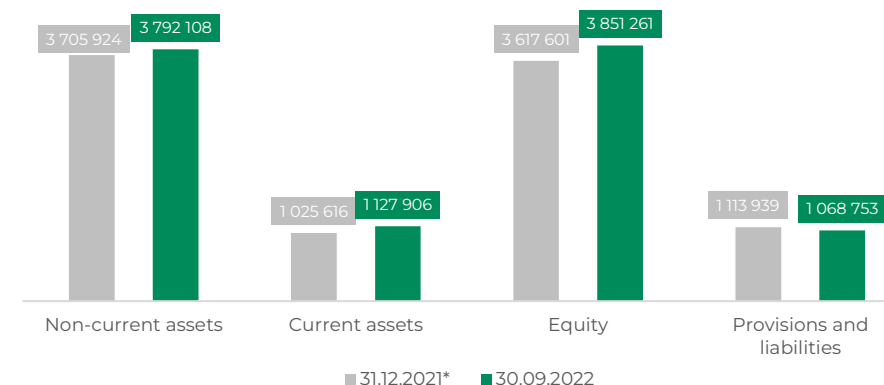
Total assets as at 30 September 2022 compared to the value as at 31 December 2021 increased by PLN 188,474 thousand and amounted to PLN 4,920,014 thousand, with non-current assets increasing by PLN 86,184 thousand and current assets by PLN 102,290 thousand. In non-current assets, the most significant change is a PLN 80,792 thousand increase in property, plant and equipment. In current assets, the most significant change is an 87.7% increase in inventories and a 51.1% decrease in trade and other receivables, while cash increased by 27.8%. As at 30 September 2022, return on assets (ROA) was 8.7%, compared to 6.3% at the end of 2021.

Equity and liabilities

Equity increased by 6.5%. This was a result of the total income received for the first 3 quarters of 2022 and the settlement of the result for 2021. (dividend). Provisions and liabilities decreased by 4.1% from their value as of 31 December 2021, with current liabilities decreasing by 6.7% (primarily decreases in customer contract liabilities and provisions for other liabilities and charges, and non-current liabilities decreasing slightly by 1.8% (mainly due to a decrease in employee benefit liabilities) while deferred tax liabilities increased. As at 30 September 2022, return on equity increased by 3.0 p.p. compared to the end of 2021. As at 30 September 2022 the ratio stood at 11.3%, compared to 8.3% as at 31 December 2021.



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



LW Bogdanka Group's cash flows

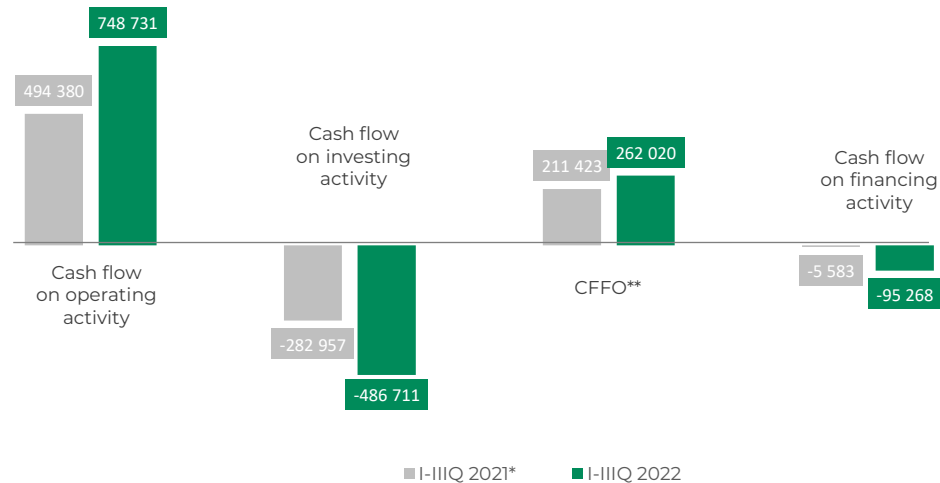
Cash position

[PLN 000s]	Q3 2021*	Q3 2022	Change	Q1-Q3 2021*	Q1-Q3 2022	Change
Cash flow on operating activity	167,064	144,290	-13.6%	494,380	748,731	51.4%
Cash flow on investing activity	-115,518	120,666	-	-282,957	-486,711	72.0%
CFFO**	51,546	264,956	414.0%	211,423	262,020	23.9%
Cash flow on financing activity	-1,636	-88,351	5,300.5%	-5,583	-95,268	1,606.4%

* Items after restatement for 2021 due to the Group's application of the amendments to IAS 16 - see Note 2 of the Consolidated Quarterly Report for Q3 2022 for details.

** sum of operating and investment cash flows

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



Cash flow on operating activity

In Q3 2022, the Group generated PLN 13.6% lower net cash flow on operating activity than in Q3 2021 - in Q3 2022, it amounted to PLN 144,290 thousand compared to PLN 167,064 thousand a year earlier.

In the first 3 quarters of 2022, the LW Bogdanka Group generated PLN 748,731 thousand in cash flow on operating activity (+51.4% y/y). The recorded increase is attributable primarily to the higher net profit and changes in working capital.

Cash flow on investing activity

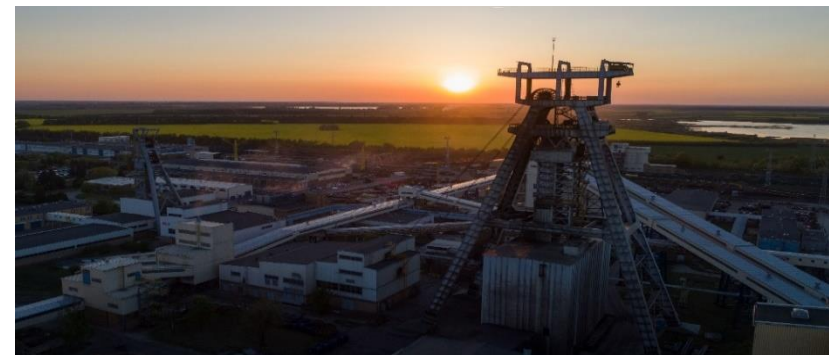
Cash flow on investing activity in Q3 2022 had a positive value and amounted to PLN 120,666 thousand, which is attributable to inflows resulting from other short-term investments.

In the first 3 quarters of 2022, cash flow on investing activity increased (in absolute terms) by 72.0% (to PLN 486,711 thousand) compared to the same period of the previous year. These were mainly related to expenditures for the purchase of property, plant and equipment.

Cash flow on financing activity

In Q3 2022 the Group recorded negative cash flow on financing activity in the amount of PLN 88,351 thousand.

In the first 3 quarters of 2022 the Group recorded negative cash flow on financing activity in the amount of PLN 95,268 thousand. The dominant item was dividends paid to the Company's shareholders.



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*	30.09.2022	Change
Total debt ratio	23.5%	21.7%	-1.8 p.p.
Ratio (debt plus employee liabilities)/EBITDA**	0.28	0.22	-21.4%
Net debt/EBITDA ratio**	-0.74	-0.83	12.2%
Debt to equity ratio	30.8%	27.8%	-3.0 p.p.
Fixed capital to non-current assets ratio (non-current assets/fixed capital)	110.2%	113.7%	3.5 p.p.
Current debt ratio (current liabilities/liabilities)	10.9%	9.8%	-1.1 p.p.
Non-current debt ratio (non-current liabilities/liabilities)	12.6%	11.9%	-0.7 p.p.

* Items after restatement for 2021 due to the Group's application of the amendments to IAS 16 - see Note 2 of the Consolidated Quarterly Report for Q3 2022 for details.

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

	31.12.2021	30.09.2022	Change
Current liquidity ratio	2.09	2.40	14.8%
Quick liquidity ratio	1.89	2.00	5.8%

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 September 2022 decreased by 1.8 p.p. compared to 31 December 2021 to 21.7% - the increase in the balance sheet value was greater than the change in liabilities. As at 30 September 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 Q3 2022 decreased by 21.4% and stood at 0.22. Comparing data as at 30 September 2022 to 31 December 2021, there was an increase in EBITDA (calculated on a rolling basis for the last four quarters) with a lower 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 -0.83 as at 30 September 2022. Net debt decreased by approximately PLN 173 million and amounted to

PLN 761 million with EBITDA increasing by approximately PLN 124 million (EBITDA calculated on a rolling basis for the last four quarters) to PLN 921 million.

Debt to equity ratio

The debt to equity ratio as at 30 September 2022 decreased by 3.0 p.p. from 31 December 2021 and amounted to 27.8% - liabilities decreased by approximately PLN 45 million and equity increased by approximately PLN 234 million.

Fixed capital to non-current assets ratio

The ratio of coverage of non-current assets with fixed capital reached 113.7% (as at 30 September 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 86 million while the value of fixed capital (the sum of equity and non-current liabilities without provisions) increased by approx. PLN 224 million.

Turnover of receivables and liabilities in the LW Bogdanka Group

Turnover ratios

[PLN 000s]			31.12.2021*	30.09.2022	Change
1. Inventory turnover ratio	$\frac{\text{average balance of inventories}}{\text{cost of sales}}$	x number of days in the period	19	26	36.8%
2. Receivables turnover ratio**	$\frac{\text{average balance of receivables}}{\text{sales revenues}}$	x number of days in the period	46	33	-28.3%
3. Liabilities turnover ratio***	$\frac{\text{average balance of liabilities}}{\text{cost of sales}}$	x number of days in the period	73	76	4.1%
4. Operating cycle	1+2		65	59	-9.2%
5. Cash conversion cycle	4-3		-8	-17	112.5%

* Items after restatement for 2021 due to the Group's application of the amendments to IAS 16 - see Note 2 of the Consolidated Quarterly Report for Q3 2022 for details.

** Trade and other receivables

*** Trade and other liabilities

Inventory turnover ratio

The inventory turnover ratio as at 30 September 2022 increased from 31 December 2021 and is 26 days. On average, it takes 7 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 33 days (as at 30 September 2022) compared to 46 days (as at 31 December 2021). Year-on-year, there was a lower average balance of receivables (by about PLN 54 million) with a decrease 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 3 days to 76 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 55 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 6 days and amounted to 59 days.

On average, the Group's current assets are liquidated after 59 days.

Cash conversion cycle

The changes described above resulted in achieving a cash conversion cycle of -17 days as at 30 September 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 30.09.2021	As at 31.12.2021	As at 30.09.2022	Change Q3 2022/ 31.12.2021	Change Q3 2022/ Q3 2021
Employee provisions	231,996	210,635	193,340	-8.2%	-16.7%
Provision for mine decommissioning and land reclamation costs	198,767	130,402	128,874	-1.2%	-35.2%
Mining damage	1,755	6,382	4,771	-25.2%	171.9%
Other	15,165	18,804	6,382	-66.1%	-57.9%
Total	447,683	366,223	333,367	-9.0%	-25.5%

Total provisions as at 30 September 2022 amounted to PLN 333,367 thousand, a decrease of 9.0% compared to 31 December 2021.

Change in provisions [PLN 000s]	Change Q3 2021	Change Q3 2022	Change Q3 2022/ Q3 2021	Change in Q1-Q3 2021	Change in Q1-Q3 2022	Change in Q1-Q3 2022/ Q1-Q3 2021
Employee provisions	-2,648	-27,661	944.6%	16,669	-17,295	-
Provision for mine decommissioning and land reclamation costs	-861	-1,120	30.1%	-13,689	-1,528	-88.8%
Mining damage	-565	-778	37.7%	-824	-1,611	95.5%
Other	6,194	14	-99.8%	10,430	-12,422	-
Total	2,120	-29,545	-	12,586	-32,856	-

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

[PLN 000s]	Change in provisions in Q1-Q3 2022	Of which:				
		Change recognized in operating activities (EBITDA)	Change recognized below operating profit - interest	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	-17,295	20,197	5,576	-	-10,404	-32,664
Provision for mine decommissioning and land reclamation costs	-1,528	675	3,352	-5,555	-	-
Mining damage	-1,611	-	-	-	-	-1,611
Other	-12,422	858	-	-	-	-13,280
Total	-32,856	21,730	8,928	-5,555	-10,404	-47,555

[PLN 000s]	Change in provisions in Q3 2022	Of which:				
		Change recognized in operating activities (EBITDA)	Change recognized below operating profit - interest	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	-27,661	-21,231	2,492	-	-	-8,922
Provision for mine decommissioning and land reclamation costs	-1,120	191	1,117	-2,428	-	-
Mining damage	-778	-	-	-	-	-778
Other	14	122	-	-	-	-108
Total	-29,545	-20,918	3,609	-2,428	-	-9,808

LW Bogdanka S.A.'s costs

Costs by nature

[PLN 000s]	Q3 2021*	Q3 2022	Change Q1-Q3 2021*	Q1-Q3 2022	Change	
Net production [000 tons]	2,556	1,593	-37.7%	7,503	7,163	-4.5%
Sales [000 tons]	2,654	1,920	-27.7%	7,244	7,157	-1.2%
Depreciation and amortization	109,045	93,754	-14.0%	317,166	284,271	-10.4%
Consumption of materials and energy	108,510	165,657	52.7%	324,274	515,894	59.1%
External services	113,412	129,326	14.0%	336,278	415,096	23.4%
Employee benefits	165,688	234,423	41.5%	454,175	574,160	26.4%
Representation and advertising costs	3,227	5,344	65.6%	8,018	11,973	49.3%
Taxes and charges	14,807	12,944	-12.6%	41,230	41,619	0.9%
Other costs	1,107	1,428	29.0%	23,705	3,451	-85.4%
Total costs by nature	515,796	642,876	24.6%	1,504,846	1,846,464	22.7%
Cost of producing services for the entity's proprietary needs	-51,238	-100,034	95.2%	-125,896	-298,434	137.0%
Accruals	37,541	32,648	-13.0%	85,640	102,666	19.9%
Provisions and other presentation adjustments between expense by nature and by function	9,220	-28,440	-408.5%	51,866	-9,488	-118.3%
Total production costs	511,319	547,050	7.0%	1,516,456	1,641,208	8.2%
Movement in products	16,609	55,352	233.3%	-42,338	-1,732	-95.9%
Sales of goods and materials	5,162	4,325	-16.2%	12,304	16,411	33.4%
Cost of goods sold, including:	533,090	606,727	13.8%	1,486,422	1,655,887	11.4%
Cost of sales	488,541	550,872	12.8%	1,357,710	1,509,411	11.2%
Selling and distribution expenses	10,596	17,073	61.1%	29,265	38,781	32.5%
Administrative expenses	33,953	38,782	14.2%	99,447	107,695	8.3%

* Items after restatement for 2021 due to the Group's application of the amendments to IAS 16 - see Note 2 of the Consolidated Quarterly Report for Q3 2022 for details.

Q3 2022

Costs by nature

In Q3 2022, LW Bogdanka S.A. incurred costs by nature of PLN 642,876 thousand (PLN +127,080 thousand y/y), i.e. 24.6% more than in Q3 2021. The increase in costs in Q3 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 14.0% (to PLN 93,754 thousand) - natural depreciation and amortization decreased (approximately PLN 22 million), which is a consequence of lower longwall progress.

Consumption of materials and energy

The cost of materials and energy consumed in Q3 2022 compared to Q3 2021 increased by 52.7% and amounted to PLN 165,657 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 14.0% compared to Q3 2021 and amounted to PLN 129,326 thousand. In the period under review, there was an increase primarily in the value of drilling and mining services (+PLN 12.9 million), the value of Saturday-Sunday work (+PLN 6.4 million), as well as overhauls (+2.2 million).

Employee benefits

The value of employee benefits in Q3 2022 increased by PLN 68.7 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 2.1 million pertains to payments under sponsorship agreements.

Taxes and charges

The decrease in taxes and charges by approx. PLN 1.9 million is mainly due to a decrease in the mining fee.

Other costs

The PLN 0.3 million increase in other costs is due to an increase in travel and other expenses.

LW Bogdanka S.A.'s costs

Q1-Q3 2022

Costs by nature

In the first 3 quarters of 2022, LW Bogdanka S.A. incurred costs by nature of PLN 1,846,464 thousand, i.e. 22.7% (+PLN +341,618 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 10.4% (to PLN 284,271 thousand) - natural depreciation and amortization decreased (approximately PLN 50 million), which is a consequence of lower longwall progress, while depreciation of fixed assets increased (by approx. PLN 16 million).

Consumption of materials and energy

The total value of the costs of consumed materials and energy increased by 59.1% compared to the first 3 quarters of 2021 and amounted to PLN 515,894 thousand. In the period under analysis, approximately 9.8 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 slight increase in taxes and charges by approx. PLN 0.4 million is mainly due to an increase in the property tax and payments to the State Fund for the Rehabilitation of the Disabled.

External services

The value of external services for the first 3 quarters of 2022 compared to the corresponding period in 2021 increased from PLN 336,278 thousand to PLN 415,096 thousand (+23.4%). In the period under analysis, there was an increase primarily in the value of drilling and mining services (PLN +53.9 million), the value of Saturday-Sunday work (PLN +18.9 million), as well as coal transportation services by rail (PLN +4.4 million), overhauls (PLN +5.9 million) and waste management (PLN +2.9 million).

Employee benefits

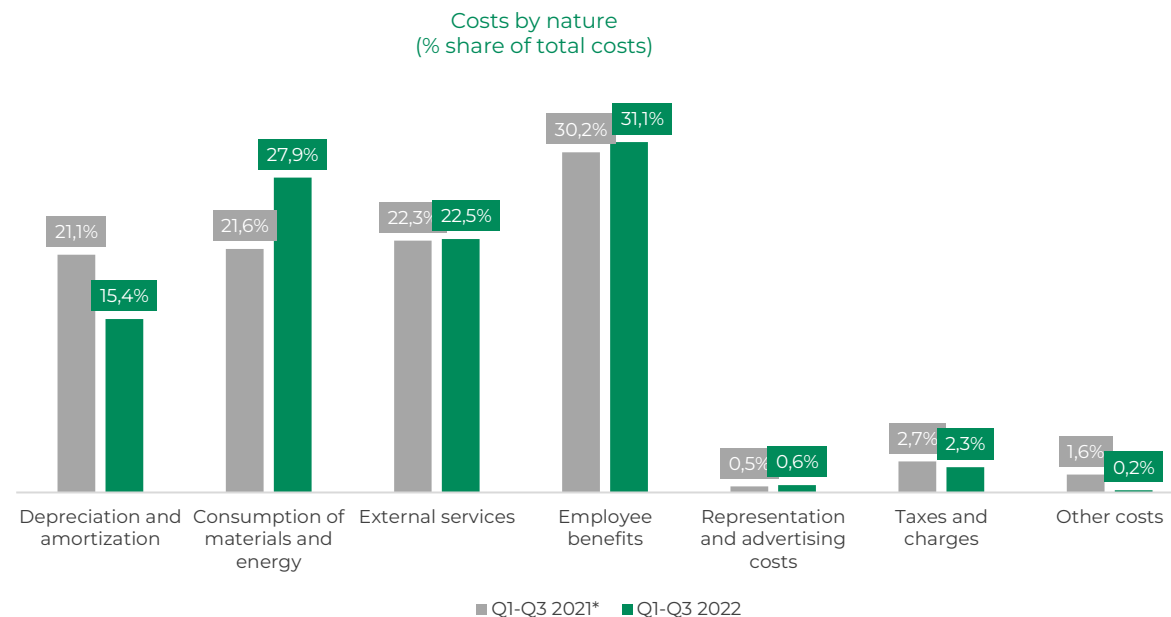
The value of employee benefits in the first 3 quarters of 2022, compared to the corresponding period of 2021, increased by approx. PLN 120.0 million. This is the result of an increase in salaries agreed with the trade unions, as well as obligatory contributions and other employee benefits.

Representation and advertising costs

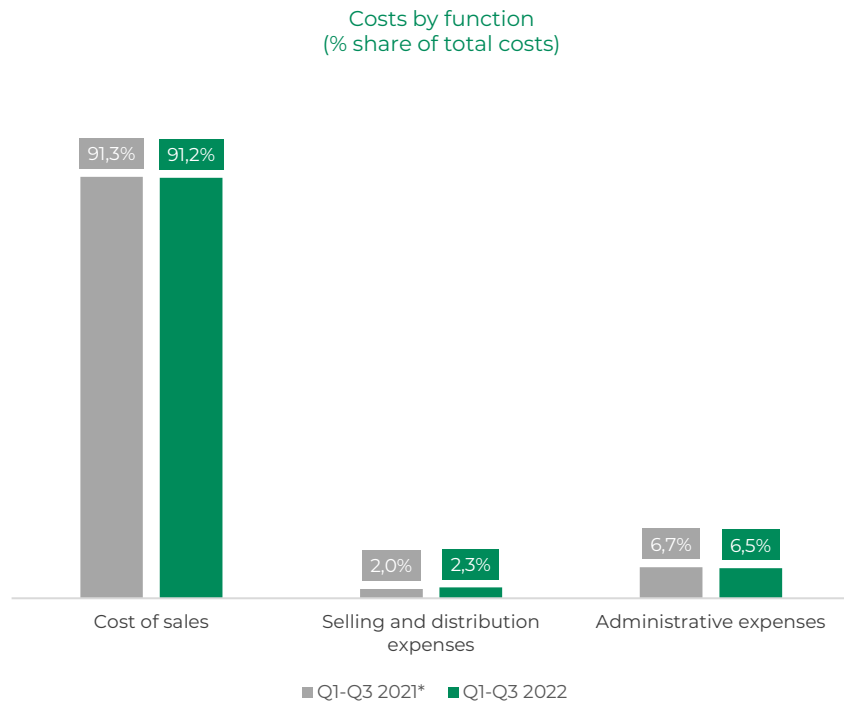
The increase in the value of representation and advertising expenses by PLN 4.0 million pertains to changes in the payments under sponsorship agreements.

Other costs

The decrease in other expenses by approx. PLN 20.3 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 Q3 2022 amounted to PLN 606,727 thousand, while in the corresponding period of the previous year it amounted to PLN 533,090 thousand.

Cost of goods sold (by function) in the first 3 quarters of 2022 amounted to PLN 1,655,887 thousand and was 11.4% (+PLN +169,465 thousand) higher than the cost incurred in the corresponding period of 2021.

[PLN 000s]	Q3 2021*	Q3 2022	Change	Q1-Q3 2021*	Q1-Q3 2022	Change
Cost of sales	488,541	550,872	12.8%	1,357,710	1,509,411	11.2%
Selling and distribution expenses	10,596	17,073	61.1%	29,265	38,781	32.5%
Administrative expenses	33,953	38,782	14.2%	99,447	107,695	8.3%
Sales of goods and materials	533,090	606,727	13.8%	1,486,422	1,655,887	11.4%

* Items after restatement for 2021 due to the Group's application of the amendments to IAS 16 - see Note 2 of the Consolidated Quarterly Report for Q3 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 Łęczżyńska 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 and 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 the first 9 months of 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 September 2022 amounted to PLN 914,823 thousand, of which:

- PLN 147,896 thousand was shown in non-current assets
- PLN 766,927 thousand was shown in current assets.

The amount of PLN 147,896 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 766,927 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 749,227 thousand and in subsidiaries to PLN 17,700 thousand (mainly in Łęczżyńska Energetyka).

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

For information on the LW Bogdanka Group's off-balance sheet items, see Note 10 of LW Bogdanka Group's Consolidated Quarterly Report for the 9 months ended 30 September 2022.

Other information affecting the LW Bogdanka Group's financial position

Evaluation of factors and unusual events affecting the operating result

A material unusual event that occurred during the first 3 quarters of 2022 and is

continuing as of the date of this Report is the armed conflict resulting from the attack by Russian Federation troops on Ukraine 24 February 2022. This event has had an immense impact on the social and economic condition and its economic impact is global. The event also affects the 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 76,406 thousand in the first 9 months of 2022 which represented approximately 3.8% of the consolidated revenue from sales (PLN 69,583 thousand in the first 9 months of 2021 and PLN 130,731 thousand in the entire 2021, which represented, respectively, 4.0% and 5.5% of the consolidated sales revenues). As a result of the military conflict, coal sales to Ukraine have been significantly hindered. Due to the strong demand for steam coal, the Group redirected the coal originally intended for the Ukrainian market to domestic buyers.
- 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. The Act has directly translated into a further strengthening of 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 the first 3 quarters of 2022 and should not have such an effect in the short term. Still, such impact may be felt in the longer term.

Geological difficulties

In early September 2022, a sudden and unexpected increase in operating pressure occurred in longwall 3/VII/385, resulting in a

squeeze. The Parent Company has taken measures to free the clamped sections and resume mining. However, these measures are technically and organizationally complex. As a result, the Parent Company has decided to once again update its production plan for 2022, setting it at approx. 8.3 million tons of commercial coal. At the same time, due to the above event and the resulting update of the longwall run schedule for 2023, the Parent Company adopted a production target for 2023 at approx. 8.3 million tons of commercial coal.

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 September 2022 the Group had no outstanding derivative transactions.

Bonds

As at 30 September 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 Group and the interim condensed financial statements of the Parent Company for the first three quarters of 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

The Company is a defendant in case ref. I C 942/13 for payment under the rights to patent no. 206048. On 30 September 2022, a judgment was handed down before the Regional Court in Lublin in the aforementioned case, which recognizes part of the plaintiffs' claims against the Parent Company. The judgment is not final. Apart from the aforementioned case, as at the date of preparation of this Report, neither LW Bogdanka S.A. nor its subsidiaries were 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 Q3 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 Q3 2022 the Parent Company and its subsidiaries did not instruct banks to issue any guarantees.

Transactions with related parties

In Q3 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 11 of the Consolidated Quarterly Report of the LW Bogdanka Group for the 9-month period ended 30 September 2022.

Loans taken

In Q3 2022, LW Bogdanka S.A. did not have any active loan agreements.

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 the first 3 quarters of 2022 Łęczyńska Energetyka sp. z o.o. did not use any external sources to fund its operations.

In Q3 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 Q3 2022.

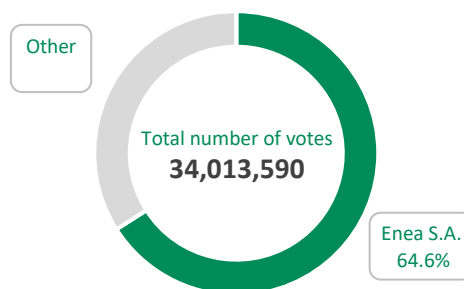
Changes in the shareholder structure before the date of the report

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 H1 2022, to the date of publication of the report for Q3 2022, there were no changes in the ownership structure of significant shareholdings.

Shareholder structure

The following chart presents the shareholder structure of the Company as at 23 November 2022.

Shareholding structure of LW Bogdanka S.A. as at 23 November 2022



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

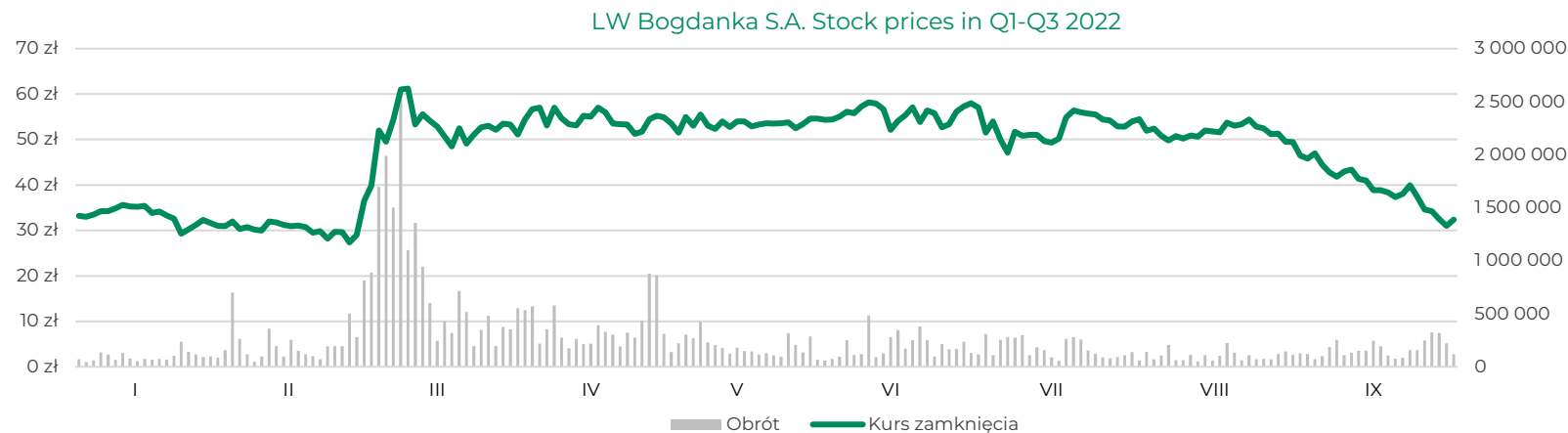
The Company was floated on the Warsaw Stock Exchange S.A. on 25 June 2009. At the end of Q3 2022, LW Bogdanka S.A. was included in the following stock exchange indices:

- 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.
- WIG-ESG - socially responsible companies that conduct their business with respect for environmental, social and corporate governance factors.

On 2 November 2022, WSE Benchmark announced that following the session on 4 November 2022 LW Bogdanka S.A. was included in the WIG30 index.



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



Key share data

	Q1-Q3 2021	Q1-Q3 2022
Maximum price [PLN]	42.80	61.20
Minimum price [PLN]	19.60	27.35
Last price [PLN]	42.35	32.38
Average price [PLN]	25.62	47.24
Capitalization at the end of the period [PLN million]	1,440.5	1,101.4
Carrying amount [PLN million]	3,445.1	3,829.5
P/E [market capitalization/net income]	8.45	3.56
P/BV [market capitalization/book value]	0.42	0.29
Average trading value per session [PLN 000s]	2,363.9	13,107.6
Average volume per session	76,170	263,738
Number of shares traded	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
4 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
10 July	BOŚ Brokerage House	Buy	PLN 80.00	PLN 50.80
22 September	Santander Brokerage House	Sell	PLN 61.30	PLN 34.24

The above information constitutes a summary of brokerage recommendations within the meaning of Commission Delegated Regulation (EU) 2016/958 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 H1 2022, to the date of publication of the report for Q3 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*:

First and last name	MANAGEMENT BOARD				
	Number of the Company's shares as at	Par value per share (PLN)	Number of the Company's shares as at	Par value per share (PLN)	Number of shares in Subsidiaries
	23 November 2022		14 September 2022		
Artur Wasilewski	0	0	0	0	0
Dariusz Dumkiewicz	0	0	0	0	0
Adam Partyka	253	1,265	253	1,265	0
Kasjan Wyligąła	0	0	0	0	0
Artur Wasil	-	-	0	0	-
First and last name	SUPERVISORY BOARD				
	Number of the Company's shares as at	Par value per share (PLN)	Number of the Company's shares as at	Par value per share (PLN)	Number of shares in subsidiaries
	23 November 2022		14 September 2022		
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	Number of the Company's shares as at	Par value per share (PLN)	Number of the Company's shares as at	Par value per share (PLN)	Number of shares in subsidiaries
	23 November 2022		14 September 2022		
	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 23 November 2022

Changes in the composition of the Management Board

On 16 September 2022, the Company's Supervisory Board adopted a resolution to dismiss Mr. Artur Wasilewski from the Company's Management Board.

At the same time, the Supervisory Board, adopted a resolution to entrust the duties of the President of the Management Board to Mr. Artur Wasilewski - Vice-President of the Management Board for Economic and Financial Affairs until the date of appointment of the President of the Management Board, who will be simultaneously performing his current duties of Vice-President of the Management Board for Economic and Financial Affairs.

Artur Wasilewski - acting President of the Management Board, 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.

As of 16 September 2022, he serves as the President of the Management Board, while performing his current duties as Vice-President of the Management Board, Economic and Financial Affairs.

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, Sales 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, Sales and Investments.

Kasjan Wyligala – 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 Wyligala 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 Wyligala 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 Wyligala 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 23 November 2022

Changes in the composition of the Supervisory Board

No changes were made in the composition of the Supervisory Board in Q3 2022.

Composition of the Supervisory Board of LW Bogdanka S.A. as at 23 November 2022:

- **Anna Chudek** - Supervisory Board Chairperson
- **Marcin Jakubaszek** - Supervisory Board Deputy Chairperson
- **Szymon Jankowski** - Supervisory Board Secretary
- **Dariusz Batyra** - 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 Batyra

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 Energa 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 23 November 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 Wasilewski

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

.....

Adam Partyka

Vice-President of the Management Board
Labor and Social Affairs

.....

Dariusz Dumkiewicz

Vice-President of the Management Board
Sales and Investments

.....

Kasjan Wyligala

Vice-President of the Management Board
Strategy and Development

.....

Bogdanka, 22 November 2022



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