



2019

Presentation of results
the LW Bogdanka Group
Q3 2019, Q1-Q3 2019



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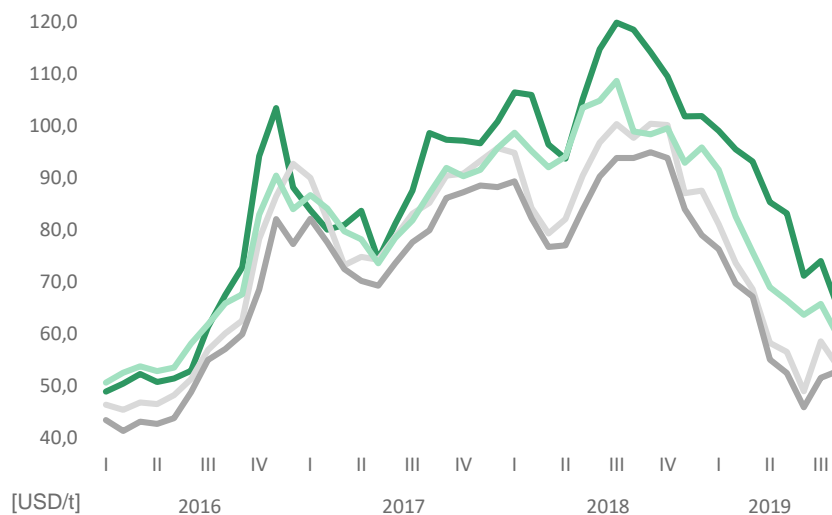


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Situation on the coal market and key operating data



Decrease of coal prices on the global market



- Newcastle (Australia)
- Amsterdam - Rotterdam - Antwerp (West Europe)
- Richards Bay (RPA)
- Baltic Ports (Europe)

CIF ARA coal prices

- ✓ USD 57.5/tonne - the average coal price (CIF ARA) in Q3 2019, i.e. - 42.2% (compared to USD 99.5/tonne in Q3 2018)
- ✓ comparing to the average coal price (CIF ARA) in Q2 2019, (USD 54.5/tonne), it's an increase by 5.5%

Inventories in ARA ports

- ✓ 7.2 million tonnes of coal inventories at the end of September 2019 in ARA ports – similarly as in June 2019

Prices in the world's main ports

- ✓ The average coal price FOB Baltic Ports in Q3 2019 amounted to USD 52.8/tonne, i.e. -43.9% (USD 94.2/tonne) compared to Q3 2018
- ✓ comparing to the average price in Q2 2019, (USD 51.1/tonne), it's an increase by 3.3%



Increase of coal production in China and Russia in Q1-Q3 2019



1. China:

- ✓ Approx. 2.7 billion tonnes of coal were produced in Q1-Q3 2019, +3.8% compared to Q1-Q3 2018 (2.6 billion tonnes)
- ✓ imports in Q1-Q3 2019 were 250.6 million tonnes – an increase by approx. 9.4% compared to Q1-Q3 2018 (229.0 million tonnes)

2. USA:

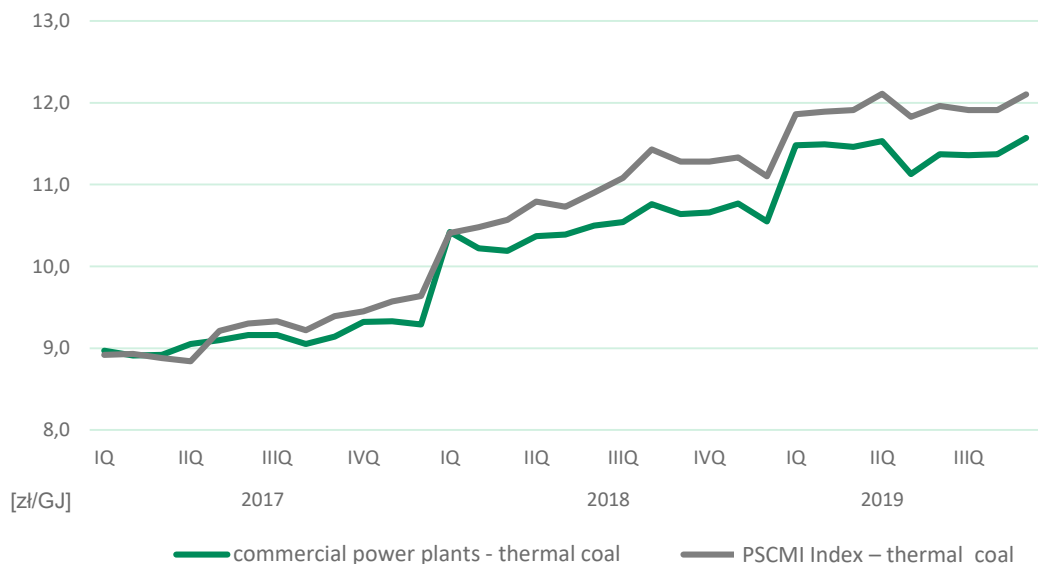
- ✓ Production in Q1-Q3 2019 was 472.2 million tonnes (-0.4% comparing to Q1-Q3 2018 (512.3 million tonnes)
- ✓ Consumption in Q1-Q3 2019 was 420.3 million tonnes (-12.2% comparing to Q1-Q3 2018 (478.7 million tonnes)
- ✓ Exports in Q1-Q3 2019 – 64.8 million tonnes of hard coal, -18.1% y/y

3. Russia:

- ✓ Production in Q1-Q3 2019 was 319.0 million tonnes (+0.7 y/y)
- ✓ Exports in Q1-Q3 2019 (144 million tonnes), similarly as in the same period of 2018



Rises of thermal coal prices sold to commercial power plants on the domestic market in Q3 2019 vs. Q3 2018 by 7.3%



Fine thermal coal prices:

- ✓ in Q3 2019, the average annual price of fine thermal coal for commercial power plants was PLN 11.43 per GJ, the change dynamics was ca. 7.3% y/y
- ✓ comparing to Q2 2019 (PLN 11.34 per GJ) – a increase of 0.8% was recorded
- ✓ average heating value of fine coal for commercial power plants was about 21.7 GJ

Prices based on the PSCMI index:

- ✓ in Q3 2019 the average price based on the PSCMI index was approx. PLN 11.97 per GJ, which compared to average price in Q3 2018 (PLN 11.26 per GJ) represents an increase by approx. 6.3%
- ✓ in Q2 2019 the price stood at the same level



Decrease in extraction and sales of thermal coal market in Poland in Q1-Q3 2019 compared to Q1-Q3 2018

PERFORMANCE OF POLISH COMPANIES:

	Q3 2018	Q3 2019	Change	Q1-Q3 2018	Q1-Q3 2019	Change
Extraction of thermal coal in domestic coal market (million tonnes)	12.0	11.5	-4.2%	36.3	35.6	-1.9%
Sales of thermal coal in domestic coal market (million tonnes)	11.8	10.9	-7.6%	35.0	32.5	-7.1%
Average cost of coal sold (PLN)	363.8	354.5	-2.6%	322.9	345.0	6.8%

COAL PRICES:

Average price of power coal (PLN)	273.3	285.9	4.6%	271.2	283.3	4.5%
Average price of coal sold to commercial power industry (PLN)	222.3	242.6	9.1%	220.0	241.0	9.5%

DEMAND/SUPPLY:

Production of electric power in commercial power plants with the use of hard coal (GWh)*	20,537	19,497	-5.1%	60,494	58,607	-3.1%
Inventories of coal in mines (million tonnes)**	0.8	3.6	350.0%	0.8	3.6	350.0%

*PSE SA

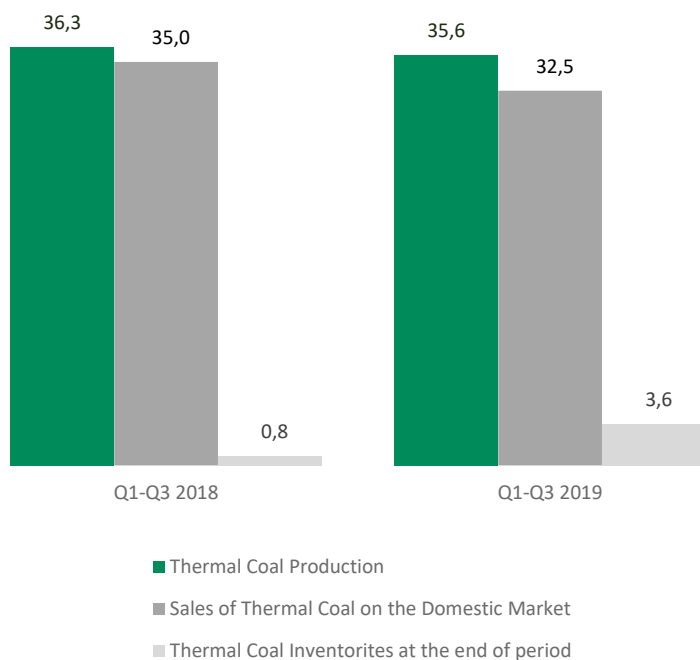
**data do not include Silesia, Siltech, Ekoplus .

Source: ARP, PSE SA

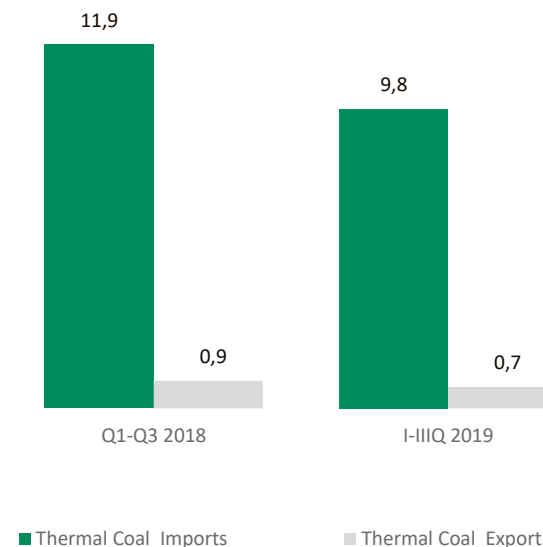


Drop in extraction and sales of thermal coal in Polish mines with increase of inventories, imports at 9.8 million tons

Thermal coal production, domestic sales and inventories in Polish mines [million tonnes]*



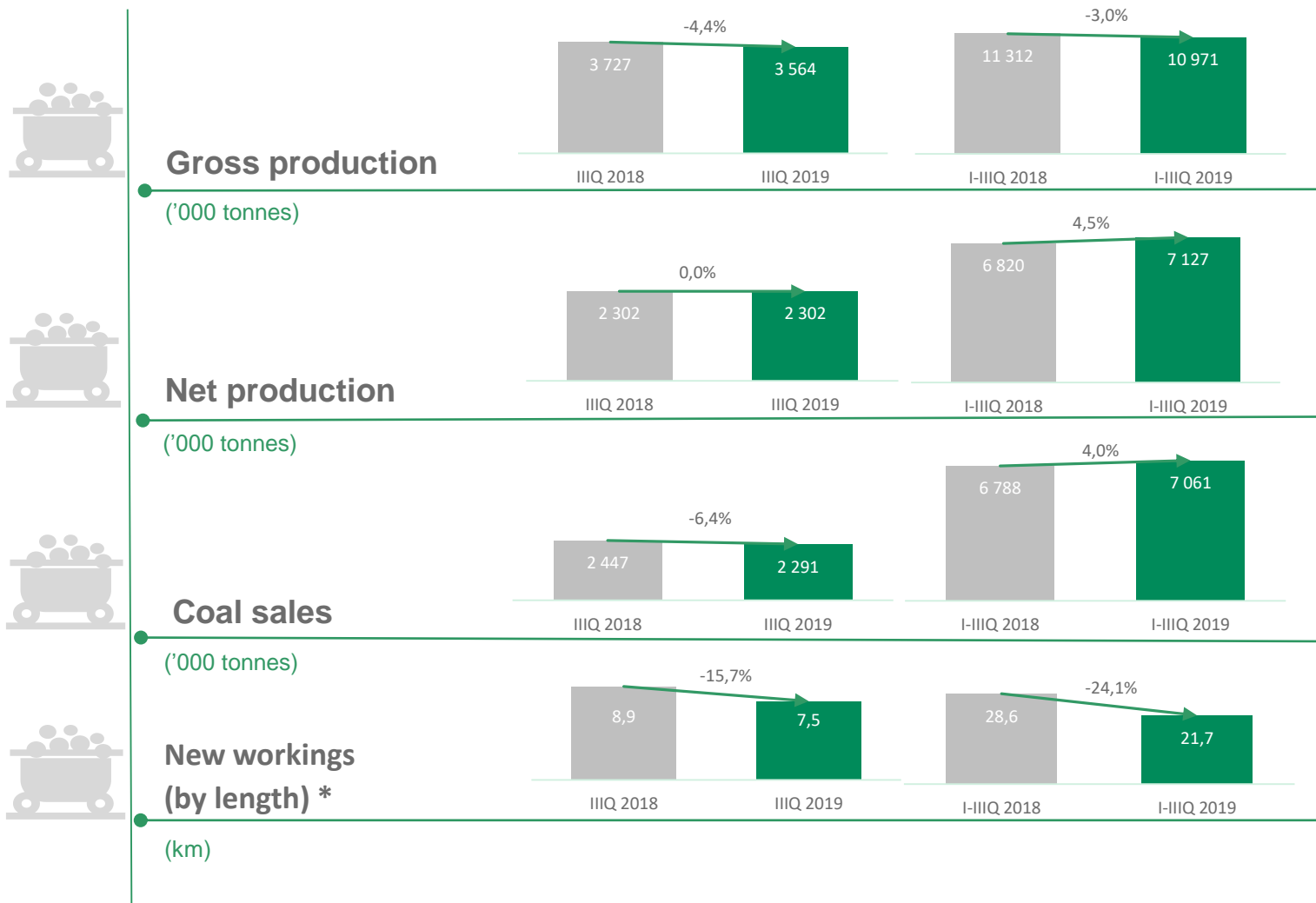
Thermal coal imports and exports [million tonnes]*



*data do not include Silesia, Siltech, Ekoplus .



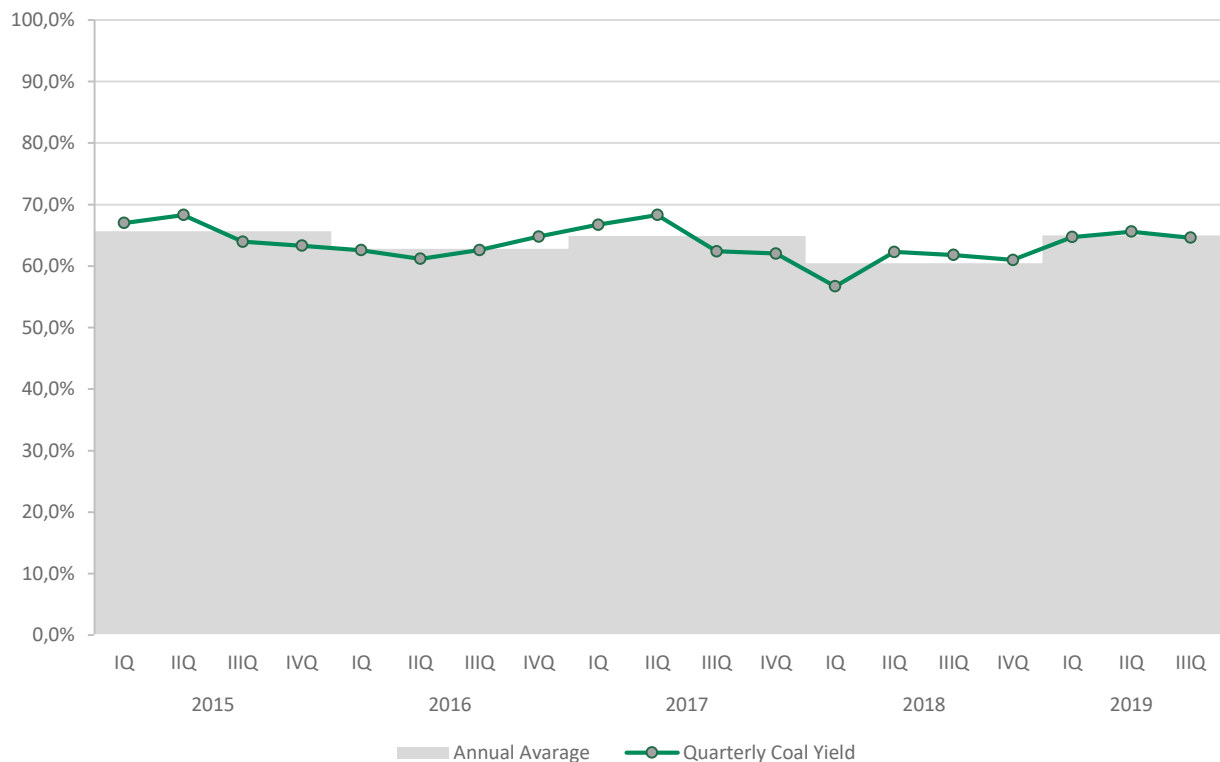
GK LW Bogdanka – increase of net production and coal sales in Q1-Q3 2019 compared Q1-Q3 2018



*Length of excavations made includes reconstruction works



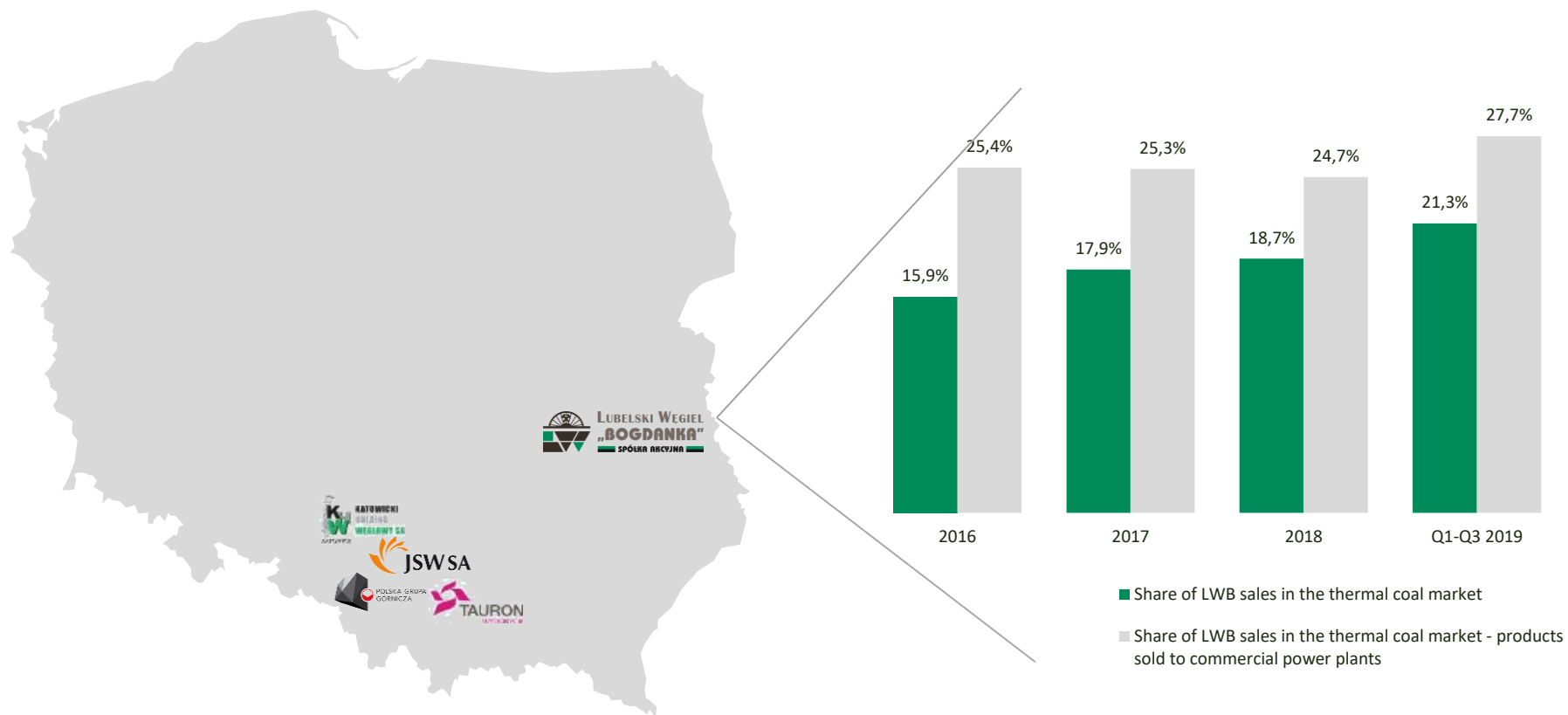
Coal yield at a level of 65.0% in Q1-Q3 2019



- ✓ coal yield in Q3 2019 was about 64.6% and was higher than in Q3 2018 (61.8%) and a bit lower than in Q2 2019 (65.6%)
- ✓ average yield in Q1-Q3 2019 was 65.0% compared to 60.3% in Q1-Q3 2018
- ✓ in Q3 2019 61.3% of raw coal was obtained from low walls and 38.7% high walls. In the same period of 2018 this ratio was 61.4% compared to 38.6%.
- ✓ in Q1-Q3 2019 50,8% of raw coal was obtained from low walls and 49.2% from high walls. In the same period of 2018 this ratio was 62.5% to 37.5%



We keep a strong position on the coal market – 27.7% of share in sales to commercial power plants





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Financial highlights
of the LW Bogdanka
Group in Q3 2019
and Q1-Q3 2019

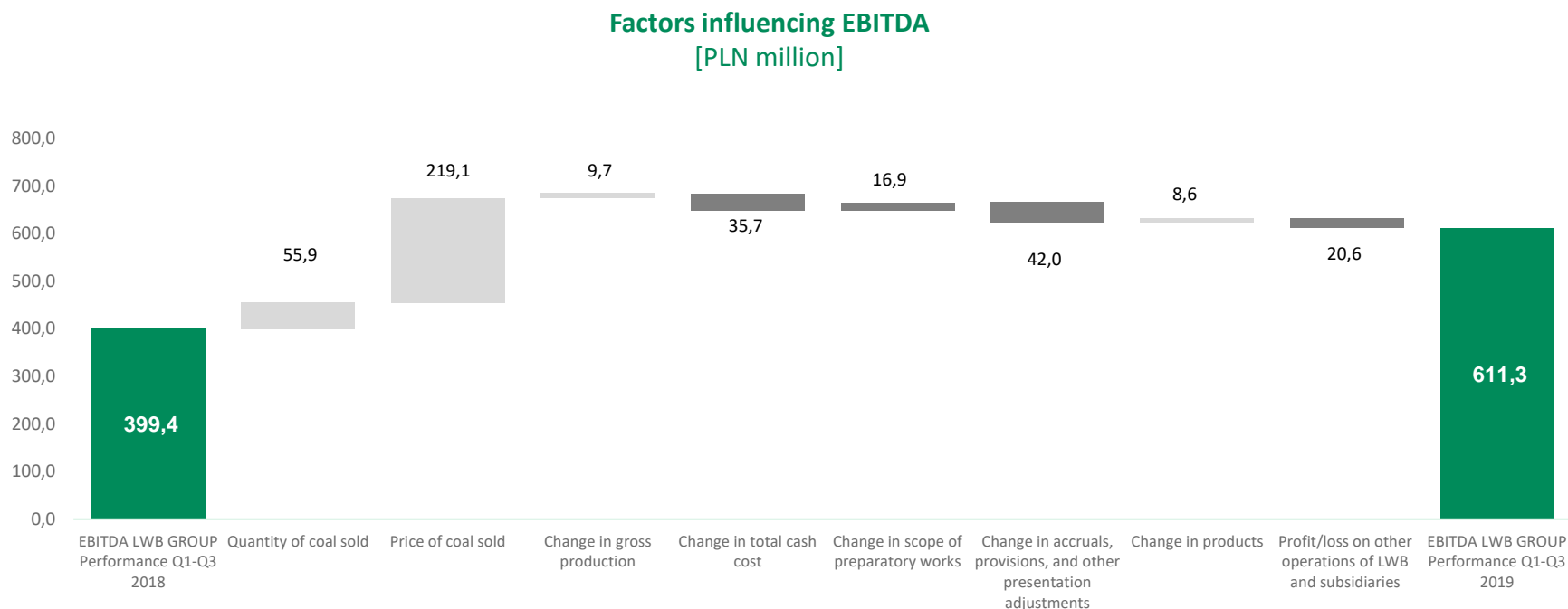


Very good operating and financial results - increase in production and sales in Q1-Q3 2019 vs. Q1-Q3 2018

Item	Unit	Q3 2018	Q3 2019	Change	Q1-Q3 2018	Q1-Q3 2019	Change
Technical and operating data							
Gross production	'000 tonnes	3,727	3,564	-4.4%	11,312	10,971	-3.0%
Net production	'000 tonnes	2,302	2,302	0.0%	6,820	7,127	4.5%
Coal yield	%	61.8%	64.6%	4.5%	60.3%	65.0%	7.8%
Coal sales	'000 tonnes	2,447	2,291	-6.4%	6,788	7,061	4.0%
Inventories (end of period)	'000 tonnes	57	153	168.4%	57	153	168.4%
New workings (by length)*	km	8.9	7.5	-15.7%	28.6	21.7	-24.1%
Financial data							
Revenue	PLN' 000	479,685	527 776	10,0%	1 335 637	1 626 112	21.7%
EBITDA	PLN' 000	120,823	176,927	46,4%	399 445	611 346	53.0%
EBIT	PLN' 000	14,575	77,872	434,3%	92 613	319 679	245.2%
Net profit	PLN' 000	9,660	66,031	583,6%	76 013	263 954	247.2%



Increase in EBITDA in Q1-Q3 2019 compared to Q1-Q3 2018



Q1-Q3 2019

(+) EBITDA margin 37.6% in Q1-Q3 2019 comparing to 29.9% in Q1-Q3 2018

(+) increase in revenue on sales of coal: quantitative sales higher (+274,000 tonnes), with a higher price

(+) extraction lower by 341,000 tonnes (-3.0%) – decrease in production cost

(-) increase of average employment in the mine, introduction of employee retirement plan (PPE) and additional medical care package

(-) higher mining royalty connected to increased production of commercial coal

(-) increase of fees for services provided by third party companies and change in the scope of outsourced works

(+) in Q1-Q3 2019 value of inventories increased by PLN 10.4 million (decrease in costs), while in Q1-Q3 2018 value of inventories went up by PLN 1.8 million (decrease in costs)

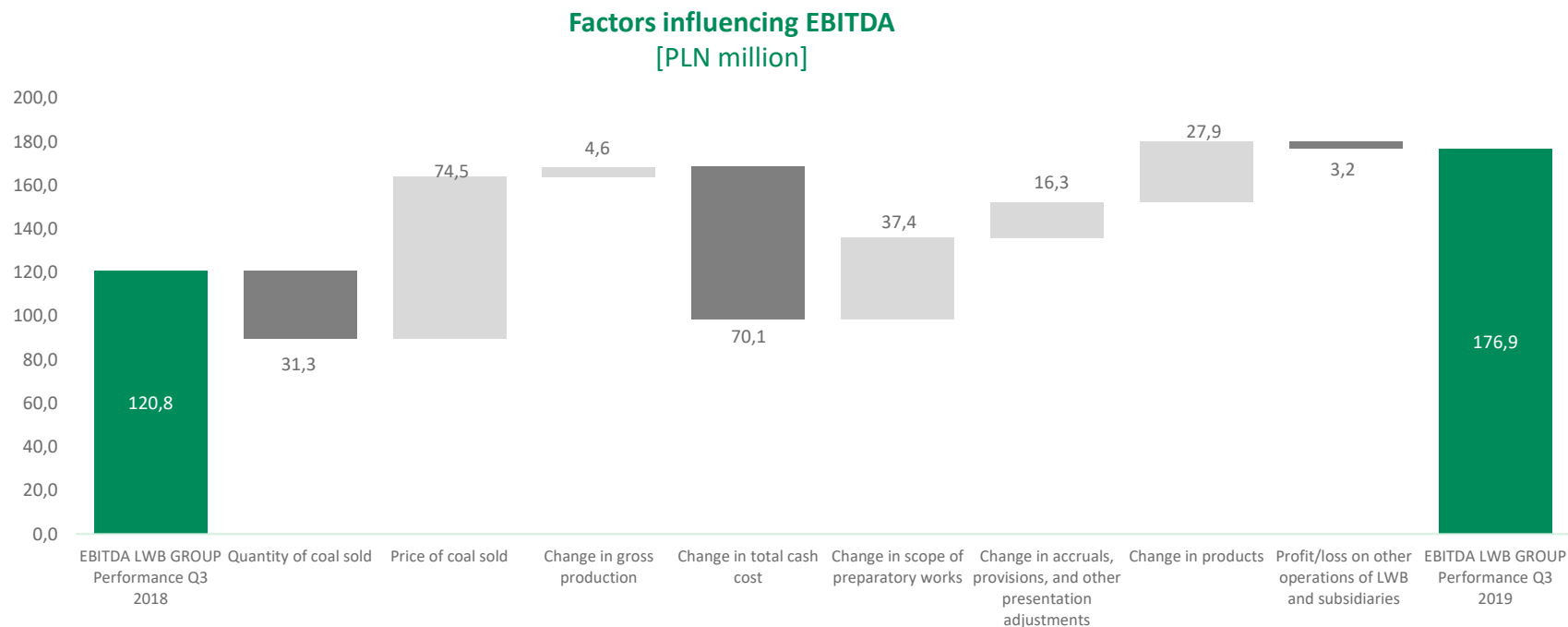
- in 2018 – settlement reached between LWB and the consortium of Mostostal Warszawa S.A. and Acciona Infraestructuras (+ PLN 28.7 million) and the settlement reached with Wonam (PLN +2.5 million);

- in 2019 – release of the provision for interest on disputable claim of the Social Security Institution (ZUS) (+ PLN 16.4 million).

- higher value of liquidation of plant, property and equipment, mainly net value of closed workings



Increase in EBITDA for Q3 2019 compared to Q3 2018



Q3 2019

(+) EBITDA margin 33.5% in Q3 2019 comparing to 25.2% in Q3 2018

(+) increase in revenue on sales of coal: lower quantitative sales (-156,000 tonnes, -6.4%), with a higher price

(-) decrease in revenue on sale of goods and materials – lower sales of scrap from the process of disassembling longwall headings

(+) extraction lower by 163,000 tonnes (-4.4%) – decrease in production cost

(-) increase in average employment in the mine, introduction of employee retirement plan (PPE) and additional medical care package

(-) increase in fees for services provided by third party companies and change in the scope of outsourced works

(-) higher value of liquidation of plant, property and equipment, mainly net value of closed workings (last meters)

(-) change in inventories: Q3 2018 PLN -25.9 million (higher costs), Q3 2019 PLN +2.0 million (reduced costs),



The Group's result in Q1-Q3 2019 was influenced by: increased production and sales as well as higher prices

Analysis of the consolidated income statement

Item [PLN '000]	Q3 2018	Q3 2019	Change	Q1-Q3 2018	Q1-Q3 2019	Change
Revenue	479,685	527,776	10.0%	1,335,637	1,626,112	21.7%
Costs of products, goods and materials sold, selling and administrative expenses	465,191	447,564	-3.8%	1,274,194	1,321,771	3.7%
Profit on sales	14,494	80,212	453.4%	61,443	304,341	395.3%
Gross sales margin	3.0%	15.2%	12.2 p.p	4.6%	18.7%	14.1 p.p
Other income	465	756	62.6%	30,825	3,286	-89.3%
Other costs	320	237	-25.9%	1,076	713	-33.7%
Net operating profit	14,639	80,731	451.5%	91,192	306,914	236.6%
Other net losses	-64	-2,859	4367.2%	1,421	12,765	798.3%
Operating profit (EBIT)	14,575	77,872	434.3%	92,613	319,679	245.2%
EBIT margin	3.0%	14.8%	11.8 p.p	6.9%	19.7%	12.8 p.p
EBITDA	120,823	176,927	46.4%	399,445	611,346	53.0%
EBITDA margin	25.2%	33.5%	8.3 p.p	29.9%	37.6%	7.7 p.p
Finance income	1,710	2,507	46.6%	11,851	10,806	-8.8%
Finance costs	3,068	940	-69.4%	11,597	7,969	-31.3%
Profit before taxation	13,217	79,439	501.0%	92,867	322,516	247.3%
Pre-tax profit margin	2.8%	15.1%	12.3 p.p	7.0%	19.8%	12.8 p.p
Income tax	3,557	13,408	276.9%	16,854	58,562	247.5%
Net profit for the financial year	9,660	66,031	583.6%	76,013	263,954	247.2%
Net sales margin	2.0%	12.5%	10.5 p.p	5.7%	16.2%	10.5 p.p



In Q1-Q3 2019 increase in net production by 4.5% with higher cost by nature of LW Bogdanka SA by 0.7%

Koszty według rodzaju

Item [PLN '000]	Q3 2018	Q3 2019	Change	Q1-Q3 2018	Q1-Q3 2019	Change
Net production ['000 tonnes]	2,302	2,302	0.0%	6,820	7,127	4.5%
Coal sales ['000 tonnes]	2,447	2,291	-6.4%	6,788	7,061	4.0%
Depreciation and amortization	103,965	96,627	-7.1%	300,034	284,438	-5.2%
Materials and energy	125,021	135,355	8.3%	414,652	380,524	-8.2%
External services	118,939	135,185	13.7%	359,790	391,629	8.8%
Employee cost and benefits	123,316	153,386	24.4%	385,647	417,336	8.2%
Entertainment and advertising	3,736	3,221	-13.8%	6,997	6,427	-8.1%
Taxes and charges	11,122	20,079	80.5%	30,682	41,226	34.4%
Other expenses	534	690	29.2%	16,101	2,261	-86.0%
Cost by nature	486,633	544,543	11.9%	1,513,903	1,523,841	0.7%
Cost of activities for the Company's own needs	-61,996	-99,362	60.3%	-208,523	-225,383	8.1%
Accruals and deferrals	33,828	20,072	-40.7%	46,868	66,584	42.1%
Value of coal obtained from excavations	-26,234	-18,890	-28.0%	-87,690	-65,883	-24.9%
Provisions and other presentation adjustments between costs by type and by function	2,425	50	-97.9%	69	22,731	-
Total production costs	434,656	446,413	2.7%	1,264,627	1,321,890	4.5%
Change in product inventories	25,901	-2,013	-	-1,832	-10,441	469.9%
Value of goods and materials sold	4,744	3,704	-21.9%	13,825	13,771	-0.4%
Own cost of production sold, including:	465,301	448,104	-3.7%	1,276,620	1,325,220	3.8%
Costs of products, goods and materials sold	429,683	404,669	-5.8%	1,170,038	1,213,518	3.7%
Selling costs	11,931	10,351	-13.2%	32,735	28,286	-13.6%
Administrative costs	23,687	33,084	39.7%	73,847	83,416	13.0%



In Q1-Q3 2019 increase in net production by 4.5% with higher own cost by type by 0.7%

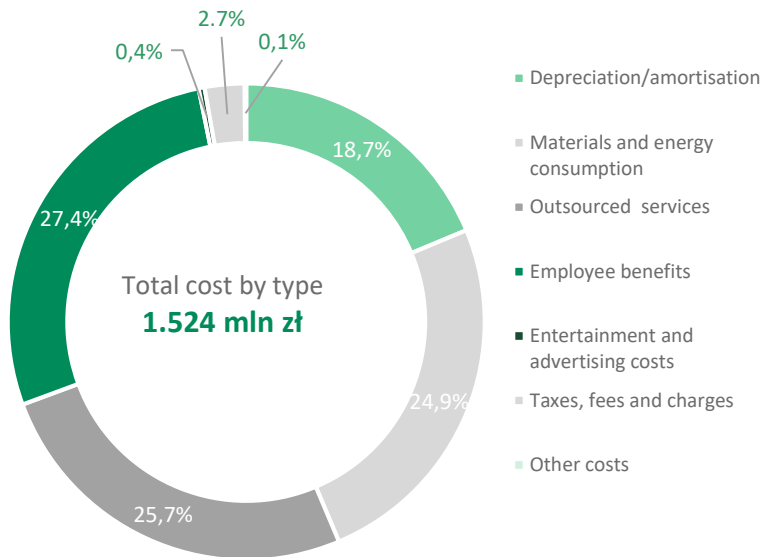
Gross extraction – decrease by 3.0%, i.e. 341,000 tonnes

Net extraction – increase by 4.5%, i.e. 307,000 tonnes

New excavations – decrease by 24.1% (21.7 km in Q1-Q3 2019 compared to 28.6 km in Q1-Q3 2018)

Total costs by type – PLN 1.524 million in Q1-Q3 2019, increase in relation to Q1-Q3 2018 by 0.7%, i.e. PLN 9.9 million

Cash costs (net of depreciation / amortisation) – increase by 2.1%, i.e. approx. PLN 26 million



Taxes and charges (+34.4% y/y):

- ✓ increase in real property tax
- ✓ Increase in the fee for deposit extraction
- ✓ increase in payments to the National Fund for the Disabled

Other costs (-86.0% y/y):

- ✓ new insurance policy was taken out with coverage of 18 months from the date of signing thereof

Depreciation / Amortisation (-5.2% y/y):

- ✓ lower value of depreciation / amortisation of non-current assets (change in period of carriages use)
- ✓ lower value of natural depreciation / amortisation (smaller progress in walls)

Materials and energy consumption (-8.2% y/y):

- ✓ performance of mining excavations lower by 7.4 km
- ✓ drop in the number of heading casing elements in use
- ✓ lower use of parts for the JOY conveyor and wall conveyor
- ✓ lower use of chains, rails for slackline cableways as well as cables and wires

Entertainment and advertising costs (-8.1% y/y):

- ✓ in 2018 additional funds were earmarked for repairing lighting on GKS Górnik Łęcznik stadium

Employee benefits (+8.2% y/y):

- ✓ Increase in employment: average employment in Q1-Q3 2019 - 4,813, i.e. +204 people compared to Q1-Q3 2018
- ✓ increase in remuneration
- ✓ increase in employee benefits connected to increased employment and introduction of PPE

Outsourced services (+8.8 y/y):

- ✓ higher cost of auxiliary works on working days
- ✓ higher costs of work performed on Saturdays and Sundays
- ✓ higher costs of drilling and reconstruction of existing workings
- ✓ increase in reclamation costs

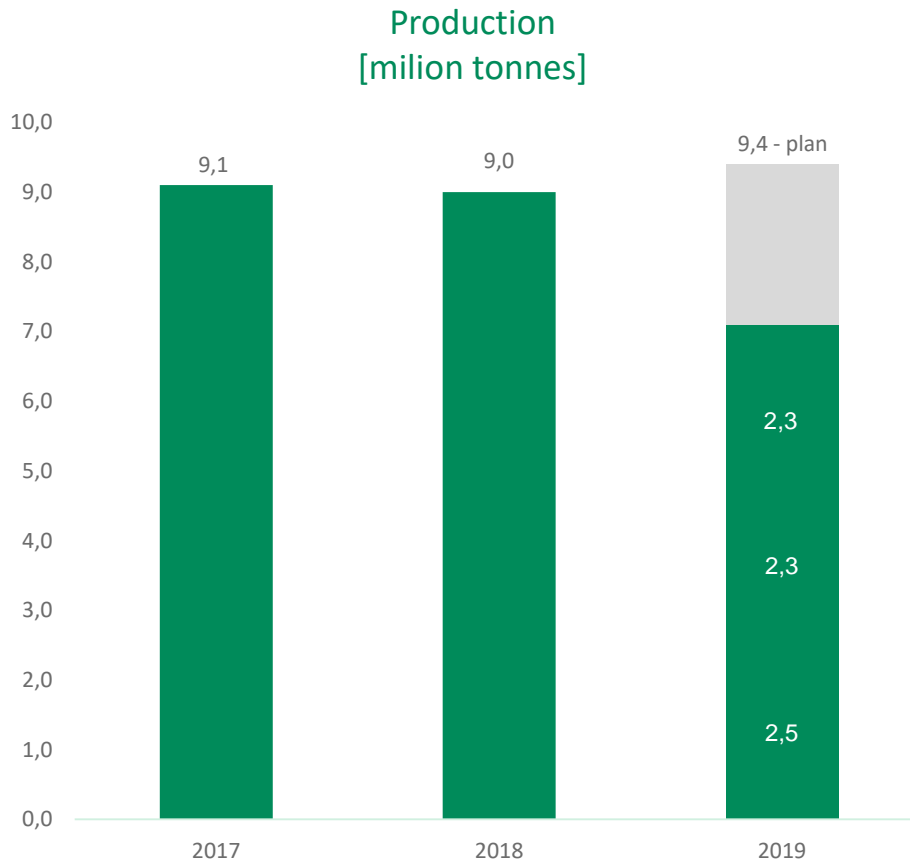


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Performance of the
plan in Q3 2019 and
Q1-Q3 2019



Production in Q3 2019 – 2.3 million tonnes



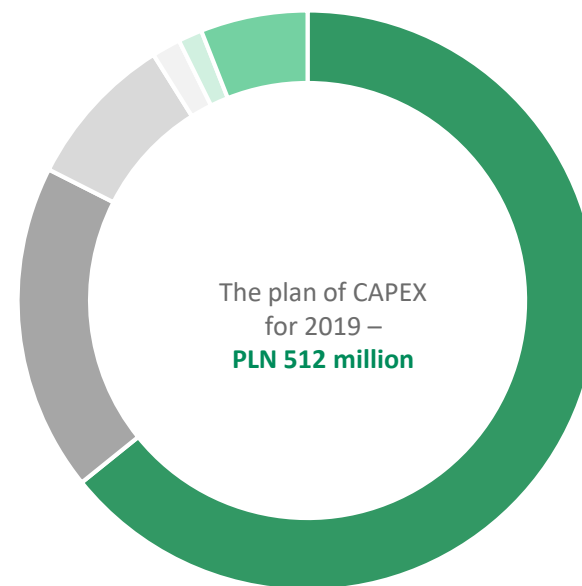
- ✓ Production plan for 2019 – 9.4 million tonnes
- ✓ In Q1-Q3 2019 LW Bogdanka SA produced over 7.1 million tonnes of coal, and sales were at the level of almost 7.1 million tonnes
- ✓ In Q3 2019 LW Bogdanka SA produced 2.3 million tonnes of coal, and sales were at the level of 2.3 million tonnes, in Q3 2018 it was 2.3 million tonnes and 2.4 million tonnes



The use of CAPEX is over PLN 294 million in Q1-Q3 2019

Item

[PLN '000]	Plan for 2019*	Realization of plan Q1-Q3 2019	Realization of plan Q1-Q3 2019[%]
New excavations and upgrades of existing ones	328,434	214,393	65.3%
Maintenance of machinery	93,380	44,705	47.9%
Obtaining new licences	6,850	0	0.0%
Ostrów Field	8,191	569	6.9%
Other development investments	44,128	24,251	55.0%
ICT	6,743	1,552	23.0%
Administration	20	31	155.0%
Transport	2,186	350	16.0%
Other	7,157	1,732	24.2%
TOTAL CAPEX in LW Bogdanka SA	497,089	287,583	57.9%
Łęczyńska Energetyka sp. z o.o.	13,000	3,907	30.1%
Other subsidiaries	1,456	3,199	219.7%
TOTAL CAPEX AT THE LW BOGDANKA GROUP	511,545	294,689	57.6%



- New excavations and upgrades of existing ones
- Maintenance of machinery
- Other development investments
- Ostrów Field
- Obtaining new licences
- Other

*The Company updated the forecast level of performing the capital expenditure plan for 2019 in relation to shifted dates of performing some investment tasks and as a result of reducing the amount of galleries planned for 2019.



- Q3 2019 saw a decrease in coal prices on the international market (**-42.2%** compared to Q3 2018), while on the domestic market coal prices grew (**+7.3%** comparing to Q3 2018)
- In Q3 2019 the Company performed its production plan at a level of more than **2.3 million tonnes** and sales plan almost at a level of **2.3 million tonnes**. In total 7.5 km of galleries was made (-15.7% compared to Q3 2019)
- The Company retains a strong market position achieving, in Q1-Q3 2019, the share in the market of thermal coal sales of **21.3%**, and the share in the market of thermal coal sales to commercial power plants of **27.7%**.
- We achieved very good financial results in Q3 2019 as a result of an increase in production and, concurrently, sales at a higher price – we recorded an increase in revenue by **21.7%** (compared to Q3 2018), EBITDA was **PLN 176.9 million**, operating profit **PLN 77.9 million**, and net profit **PLN 66.0 million**
- Dividend was paid at a level of **PLN 0.75 per share**



Thank you

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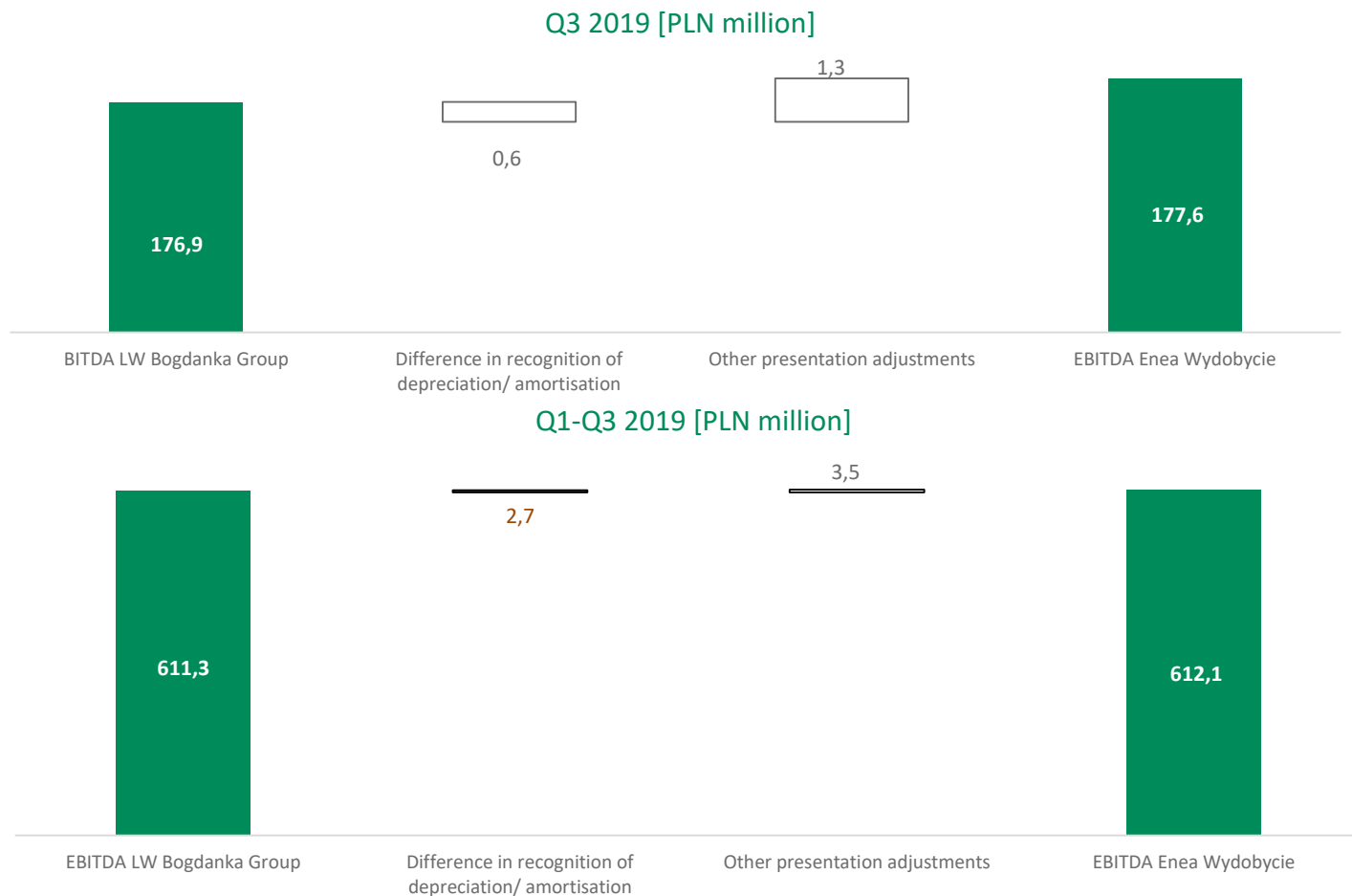


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Appendices –
Financial information



EBITDA presentation differences between the LW Bogdanka Group and Enea Wydobycie





Statement of Financial Position of LW Bogdanka Capital Group

Item [PLN '000]	31.12.2018	30.09.2019
Non-current assets, including:	3,463,822	3,467,216
Cash and cash equivalents	128,279	125,808
Current assets, including:	469,529	702,325
Cash and cash equivalents	170,793	297,450
Total assets	3,933,351	4,169,541
Current liabilities	446,803	406,535
Non-current liabilities	536,432	575,079
Total liabilities	983,235	981,614
Equity	2,950,116	3,187,927
Current borrowings	3,212	3,189



Cash flow GK LW Bogdanka

Item [PLN '000]	Q1-Q3 2018	Q1-Q3 2019
Net cash flows on operating activities	360,239	514,474
Cash inflow from operating activities	356,488	566,651
Interest received	-4,962	-1,974
Income tax paid	8,713	-50,203
Net cash flows on investing activities	-377,476	-356,766
Acquisition of property, plant and equipment	-307,096	-357,718
Interest paid regarding investing activity	-2,744	-
Acquisition of intangible assets	-2,828	-5,520
Inflow from the sale of property, plant and equipment	3,600	1,006
Interest received	4,108	2,996
Expenditure on other current investments	-153,097	-68
Proceeds from current investments	78,901	67
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	1,680	2,471
Net cash flows on financing activities	-153,835	-31,051
Bond redemption	-150,000	-
Repayments of loans and borrowings	-2,277	-2,277
Interest and commissions paid due to financing activities	-1,558	-499
Payments under lease liabilities	-	-2,765
Paid dividends	-	-25,510
Net decrease/increase in cash and cash equivalents	-171,072	126,657
Cash and cash equivalents at beginning of period	434,928	170,793
Cash and cash equivalents at end of period	263,856	297,450

Source: In-house data



Sales structure at LW Bogdanka Capital Group

Item [PLN '000]	Q3 2018	Share [%]	Q3 2019	Share [%]
Coal sales	467,757	97.5%	518,050	98.2%
Other activities	7,177	1.5%	6,004	1.1%
Sales of merchandise and materials	4,751	1.0%	3,722	0.7%
Total revenue	479,685	100.0%	527,776	100.0%



Provisions at the LW Bogdanka SA

Balance-sheet provisons [PLN '000]	As at 30.09.2018	As at 31.12.2018	As at 30.09.2019	Change Q3 2019/Q3 2018	Change Q3 2019/ 31.12.2018
Employee provisions	158 499	165 156	174 616	10,2%	5,7%
Liabilities under local property tax	48 925	41 431	19 250	-60,7%	-53,5%
Mine decommissioning and land reclamation provision	124 905	124 207	138 791	11,1%	11,7%
Mining damage	3 450	3 184	2 498	-27,6%	-21,5%
Accident insurance premium (ZUS)	22 323	22 658	-	-	-
Other	12 153	11 883	12 420	2,2%	4,5%
Total	370 255	368 519	347 575	-6,1%	-5,7%

Całkowity stan rezerw na 30 września 2019 r. wyniósł 347.575 tys. zł, co oznacza spadek o 5,7% w stosunku do 31 grudnia 2018 r.

Change in provisions [PLN '000]	Change Q3 2018	Change Q3 2019	Change Q3 2019/Q3 2018	Change in Q1-Q3 2018	Change in Q1-Q3 2019	Change 2019/2018
Employee provisions	723	794	-3,5%	1 478	9 460	540,1%
Liabilities under local property tax	2 048	-26 797	-	6 572	-22 181	-
Mine decommissioning and land reclamation provision	376	379	-0,8%	10 457	14 584	39,5%
Mining damage	-783	-458	41,5%	-984	-686	-30,3%
Accident insurance premium (ZUS)	327	-	-100,0%	983	-22 658	-
Other	-212	266	-	-5 490	537	-
Total	2 479	-25 816	-	13 016	-20 944	-



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