



2019

Presentation of results
the LW Bogdanka Group
Q4 2019, 2019



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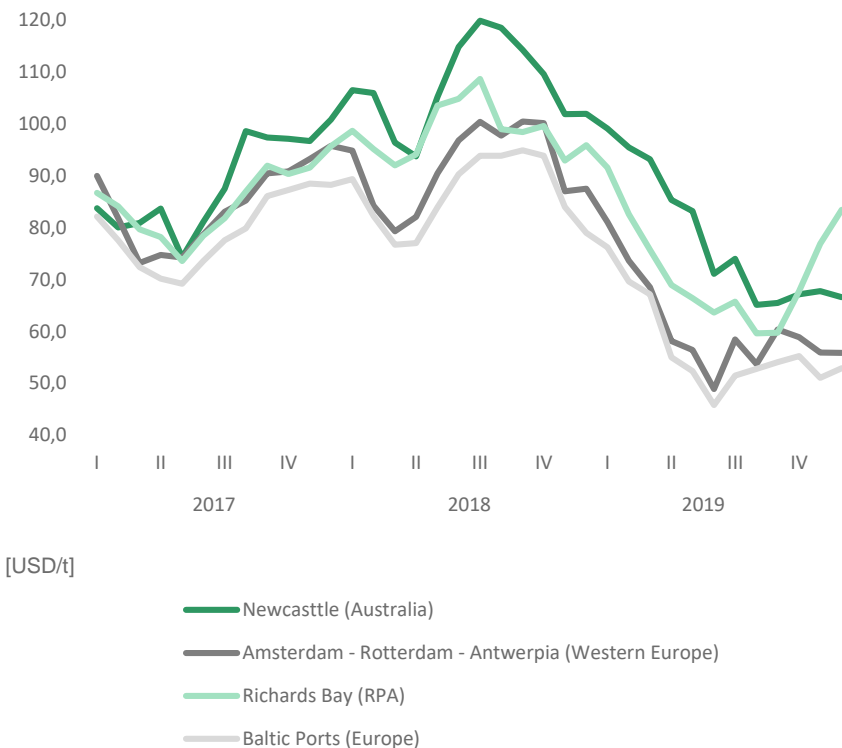


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Situation on the coal market
and key operating data



Decrease of coal prices on the global market in 2019 compared to 2018 by 33,7%



CIF ARA coal prices

- ✓ USD 56.9/tonne - the average coal price (CIF ARA) in Q4 2019, i.e. -37.9% (compared to USD 91.7/tonne in Q4 2018)
- ✓ comparing to the average coal price (CIF ARA) in Q3 2019, (USD 57.5/tonne), it's a decrease by 1.0%
- ✓ average coal price in 2019 was 60.8 /tonne, it's a decrease by 33,7% y/y

Inventories in ARA ports

- ✓ 6.1-6.5 million tonnes of coal inventories at the end of December 2019 in ARA ports – at the end of September 2019 - 7.2 million tonnes

Prices in the world's main ports

- ✓ The average coal price FOB Baltic Ports in Q4 2019 amounted to USD 53.1/tonne, i.e. -38.7% (USD 86.6/tonne) compared to Q4 2018
- ✓ average price in 2019 was USD 57.0/tonne, it's a decrease by 34.2% y/y (86,6 USD/tonne)



Increase of coal production in China and Russia in 2019



1. China:

- ✓ Approx. 3.8 billion tonnes of coal were produced in 2019, +5.6% compared to 2018 (3.6 billion tonnes)
- ✓ Imports in 2019 were 299,7 million tonnes – an increase by approx. 6.7% compared to 2018 (281.0 million tonnes)

2. USA:

- ✓ Production in 2019 was 626.1 million tonnes (-8.5% comparing to 2018 (684.0 million tonnes)
- ✓ Consumption in 2019 was 541.0 million tonnes (-13.4% comparing to 2018 (625.0 million tonnes)
- ✓ Exports in 2019 – 85.5 million tonnes of hard coal, -18.6% y/y

3. Rosja:

- ✓ Production in 2019 was 440,7 million tonnes (+0.2% y/y)
- ✓ Exports in 2019 (192 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 2019 vs. 2018 by 9.4%



Fine thermal coal prices:

- ✓ in 2019, the average annual price of fine thermal coal for commercial power plants was PLN 11.49 per GJ, the change dynamics was ca. 9.4% y/y
- ✓ in Q4 2019, the average price of fine thermal coal for commercial power plants was PLN 11.69 per GJ, the change dynamics was ca. 9.7% comparing to Q4 2018
- ✓ average heating value of fine coal for commercial power plants was about 21.2 GJ

Prices based on the PSCMI index:

- ✓ in 2019 the average price based on the PSCMI index was approx. PLN 11.99 per GJ, which compared to average price in 2018 (PLN 10.95 per GJ) represents an increase by approx. 9.5%
- ✓ in Q4 2019 the average price based on the PSCMI index was approx. PLN 12.15 per GJ, which compared to average price in Q4 2018 (PLN 11.24 per GJ) represents an increase by approx. 8.1%



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

PERFORMANCE OF POLISH COMPANIES*:

	Q4 2018	Q4 2019	Change	2018	2019	Change
Extraction of thermal coal in domestic coal market (million tonnes)	12.9	12.2	-5.4%	49.2	47.7	-3.0%
Sales of thermal coal in domestic coal market (million tonnes)	11.7	11.7	0.0%	46.7	44.2	-5.4%
Average cost of coal sold (PLN)	343.2	358.5	4.5%	327.9	348.4	6.3%

COAL PRICES:

Average price of power coal (PLN)	267.9	280.5	4.7%	270.4	282.6	4.5%
Average price of coal sold to commercial power industry (PLN)	225.2	248.2	10.2%	221.3	242.9	9.8%

DEMAND/SUPPLY:

Production of electric power in commercial power plants with the use of hard coal (GWh)**	21,881	19,583	-10.5%	82,375	78,190	-5.1%
Inventories of coal in mines (million tonnes)***	1.6	3.8	137.5%	1.6	3.8	137.5%

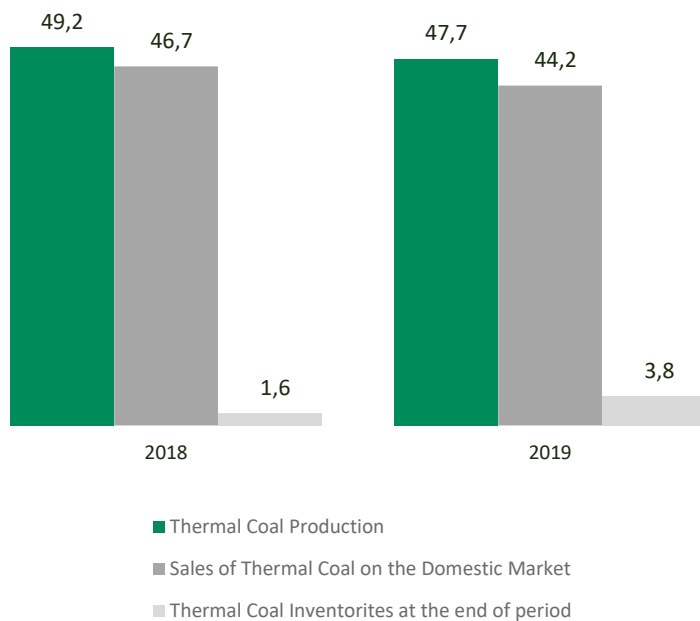
*PSE SA

**data do not include Silesia, Siltech, Ekoplus

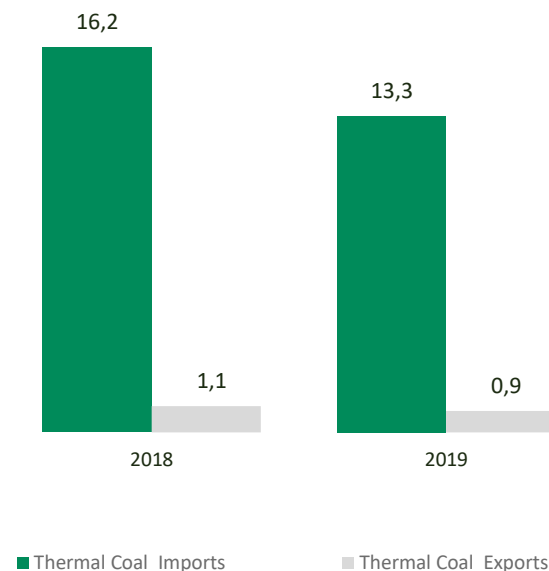


Drop in extraction and sales of thermal coal in Polish mines, imports at 13.0 million tons

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



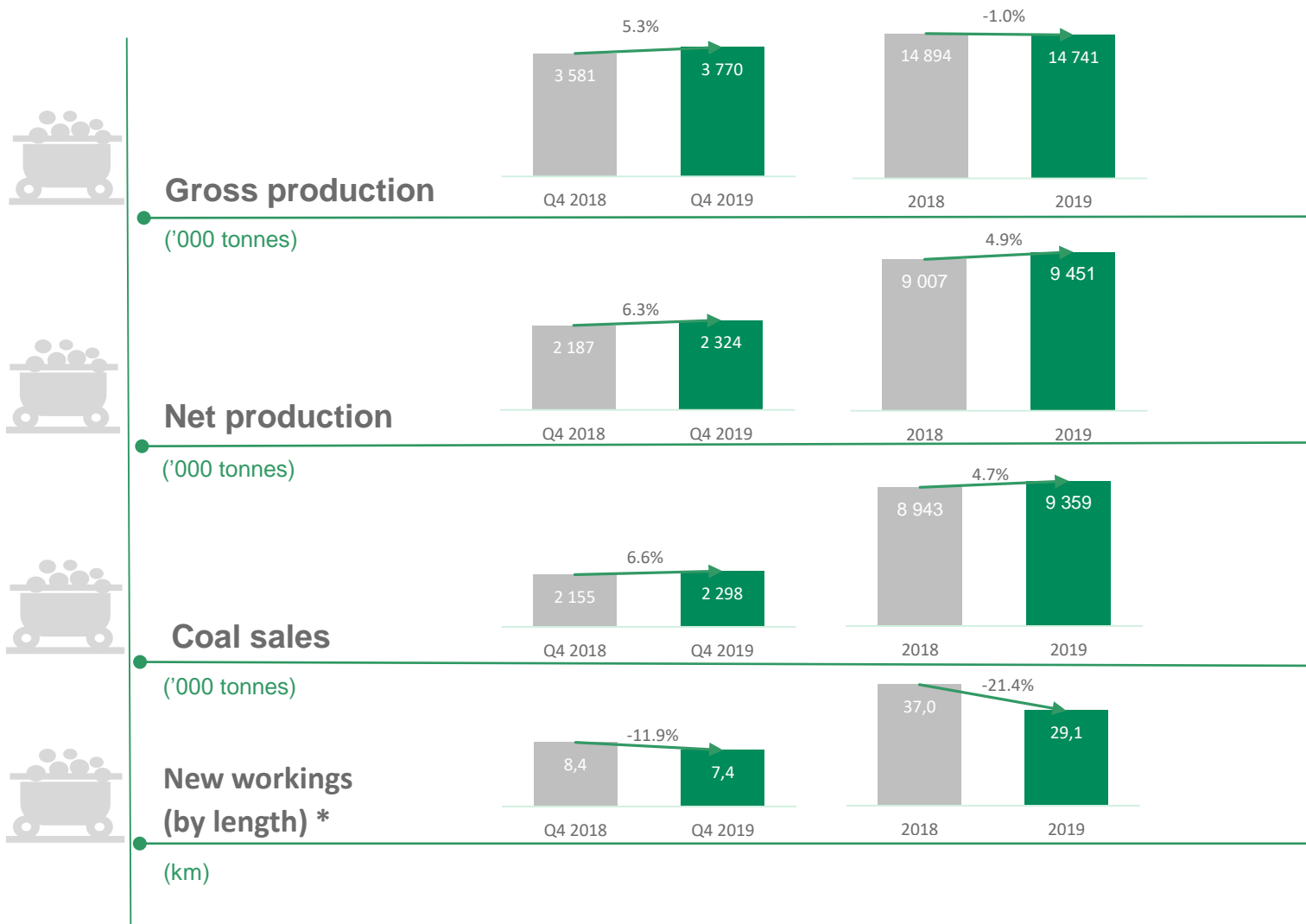
Thermal coal imports and exports [million tonnes]*



*data do not include Silesia, Siltech, Ekoplus



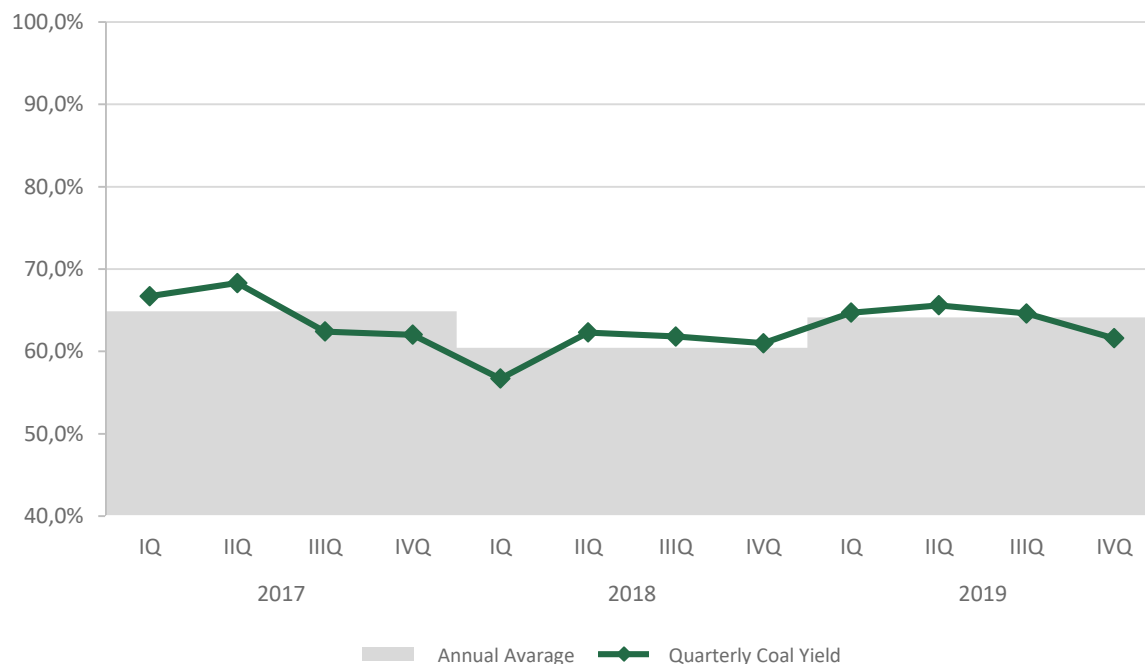
GK LW Bogdanka – increase of net production and coal sales in 2019 compared 2018



*Length of excavations made includes reconstruction works



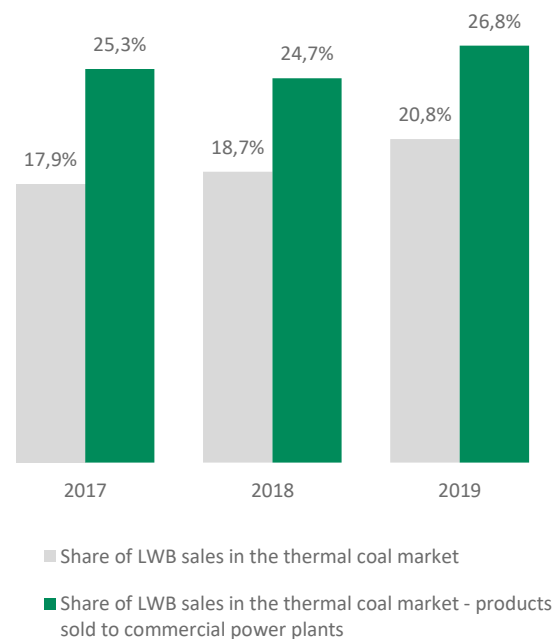
Coal yield at a level of 64.1% in 2019



- ✓ coal yield in Q4 2019 was about 61.6% and was higher than in Q4 2018 (61,0%) and lower than in Q3 2019 (64.6%)
- ✓ average yield in 2019 was 64.1% compared to 60.5% in 2018
- ✓ in Q4 2019 68.4% of raw coal was obtained from low walls and 31.6% high walls. In the same period of 2018 this ratio was 45.3% compared to 54.7%.
- ✓ in 2019 57,7% of raw coal was obtained from low walls and 42.3% from high walls. In the same period of 2018 this ratio was 61.2% to 38,8%
- ✓ production in 2019 was conducted on 302 days, compared to 306 days in the same period 2018



We keep a strong position on the coal market – 26,8% of share in sales to commercial power plants





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Financial highlights of
the LW Bogdanka
Group in Q4 2019, 2019



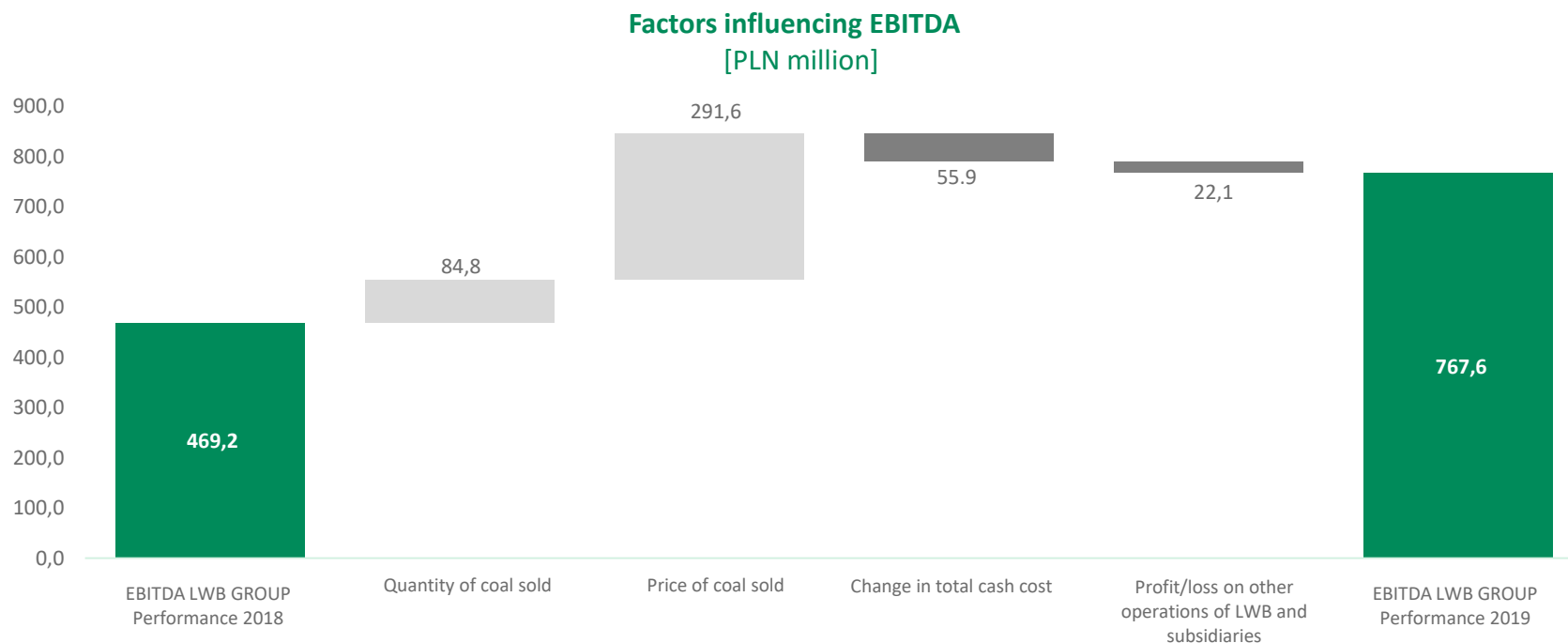
Increase in gross production and coal yielded in 2019 compared to 2018

Item	Unit	Q4 2018	Q4 2019	Change	2018	2019	Change
Technical and operating data							
Gross production	'000 tonnes	3,581	3,770	5.3%	14,894	14,741	-1.0%
Net production	'000 tonnes	2,187	2,324	6.3%	9,007	9,451	4.9%
Coal yield	%	61.0%	61.6%	-	60.5%	64.1%	-
Coal sales	'000 tonnes	2,155	2,298	6.6%	8,943	9,359	4.7%
Inventories (end of period)	'000 tonnes	88	179	103.4%	88	179	103.4%
New workings (by length)*	km	8.4	7.4	-11.9%	37.0	29.1	-21.4%
Financial data							
Revenue	PLN' 000	421,034	531,749	26.3%	1,756,671	2,157,861	22.8%
EBITDA	PLN' 000	69,746	156,246	124.0%	469,191	767,592	63.6%
EBIT	PLN' 000	-30,586	55,543	-	62,027	375,222	504.9%
Net profit	PLN' 000	-22,217	44,792	-	53,796	308,746	473.9%

*Length of excavations made includes reconstruction works



Increase in EBITDA in 2019 compared to 2018



2019

Factors influencing EBITDA:

(+) EBITDA margin for 2019 was 35.6% compared to 26.7% for 2018

(+) increase in revenue on sales of coal: quantitative sales higher (+416,000 tonnes; 4.7%), with a higher price

(+) extraction lower by 153,000 tonnes (-1.0%) – decrease in production cost

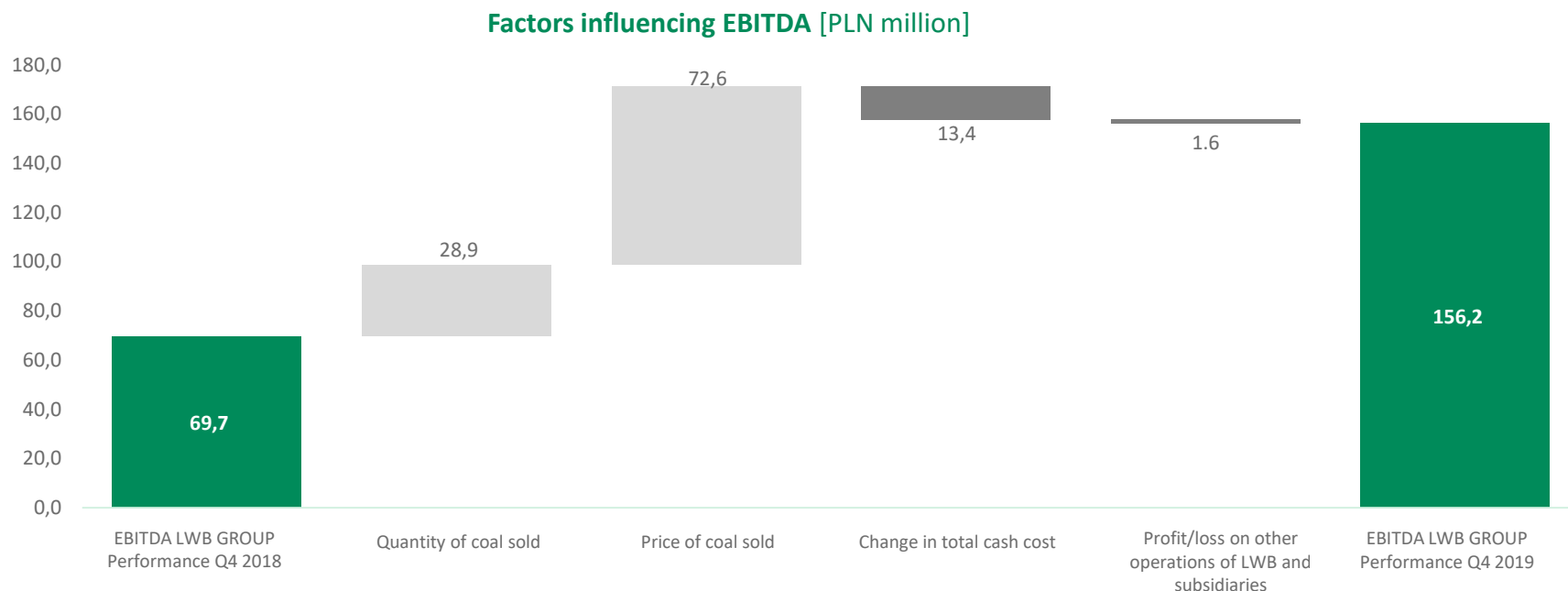
(-) increase in average employment in the mine, introduction of employee retirement plan (PPE) and additional medical care package

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

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



Increase in EBITDA in Q4 2019 compared to Q4 2018



Q4 2019

Factors influencing EBITDA:

(+) EBITDA margin – 29.4% in Q4 2019 comparing to 16.6% in Q4 2018

(+) increase in revenue on sales of coal: quantitative sales higher (+143,000 tonnes; +6.6%), with a higher price

(-) gross production higher by 188,000 tonnes (+5.3%) – increase in production cost

(-) increase in 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 and lower real property tax

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



The Group's result in 2019 was influenced by increased of coal sales and higher coal yield

Item [PLN '000]	Q4 2018	Q4 2019	Change	2018	2019	Change
Revenue	421,034	531,749	26.3%	1,756,671	2,157,861	22.8%
Costs of products, goods and materials sold, selling and administrative expenses	454,265	477,675	5.2%	1,728,459	1,799,446	4.1%
Profit on sales	-33,231	54,074	-	28,212	358,415	1170.4%
Gross sales margin	-7.9%	10.2%	18.1 p.p	1.6%	16.6%	15.0 p.p
Other income	3,796	1,981	-47.8%	34,621	5,267	-84.8%
Other costs	42	499	1088.1%	1,118	1,212	8.4%
Net operating profit	-29,477	55,556	-	61,715	362,470	487.3%
Other net losses	-1,109	-13	-98.8%	312	12,752	3987.2%
Operating profit (EBIT)	-30,586	55,543	-	62,027	375,222	504.9%
EBIT margin	-7.3%	10.4%	17.7 p.p.	3.5%	17.4%	13.9 p.p.
EBITDA	69,746	156,246	124.0%	469,191	767,592	63.6%
EBITDA margin	16.6%	29.4%	12.8 p.p.	26.7%	35.6%	8.9 p.p.
Finance income	2,691	3,927	45.9%	14,542	14,733	1.3%
Finance costs	52	3,410	6 457.7%	11,649	11,379	-2.3%
Profit before taxation	-27,947	56,060	-	64,920	378,576	483.1%
Pre-tax profit margin	-6.6%	10.5%	17.1 p.p.	3.7%	17.5%	13.8 p.p.
Income tax	-5,730	11,268	-	11,124	69,830	527.7%
Net profit for the financial year	-22,217	44,792	-	53,796	308,746	473.9%
Net sales margin	-5.3%	8.4%	13.7 p.p.	3.1%	14.3%	11.2 p.p.



In 2019 increase in net production by 4,9% and coal sales by 4,7% with higher cost by nature of LW Bogdanka SA by 1,6%

Item [PLN '000]	Q4 2018	Q4 2019	Change	2018	2019	Change
Net production ['000 tonnes]	2,187	2,324	6.3%	9,007	9,451	4.9%
Coal sales ['000 tonnes]	2,155	2,298	6.6%	8,943	9,359	4.7%
Depreciation and amortization	98,144	98,427	0.3%	398,178	382,865	-3.8%
Materials and energy	157,727	135,182	-14.3%	572,379	515,706	-9.9%
External services	135,604	130,679	-3.6%	495,394	522,308	5.4%
Employee cost and benefits	197,648	231,522	17.1%	583,295	648,858	11.2%
Entertainment and advertising	1,811	1,576	-13.0%	8,808	8,003	-9.1%
Taxes and charges	9,013	7,099	-21.2%	39,695	48,325	21.7%
Other expenses	1,167	20,020	1615.5%	17,268	22,281	29.0%
Cost by nature	601,114	624,505	3.9%	2,115,017	2,148,346	1.6%
Cost of activities for the Company's own needs	-92,071	-81,911	-11.0%	-300,594	-307,294	2.2%
Accruals and deferrals	-45,522	-75,615	66.1%	1,346	-9,031	-771.0%
Value of coal obtained from excavations	-25,535	-15,965	-37.5%	-113,225	-81,848	-27.7%
Provisions and other presentation adjustments between costs by type and by function	17,257	26,537	53.8%	17,326	49,268	184.4%
Total production costs	455,243	477,551	4.9%	1,719,870	1,799,441	4.6%
Change in product inventories	-5,843	-4,889	-16.3%	-7,675	-15,330	99.7%
Value of goods and materials sold	4,797	3,434	-28.4%	18,622	17,205	-7.6%
Own cost of production sold, including:	454,197	476,096	4.8%	1,730,817	1,801,316	4.1%
Costs of products, goods and materials sold	415,681	433,614	4.3%	1,585,719	1,647,132	3.9%
Selling costs	11 275	9 702	-14,0%	44 010	37 988	-13,7%
Administrative costs	27 241	32 780	20,3%	101 088	116 196	14,9%



In 2019 increase in net extraction by 4.9% and in coal sales by 4.7% with higher costs by type of LW Bogdanka S.A. by 1.6%

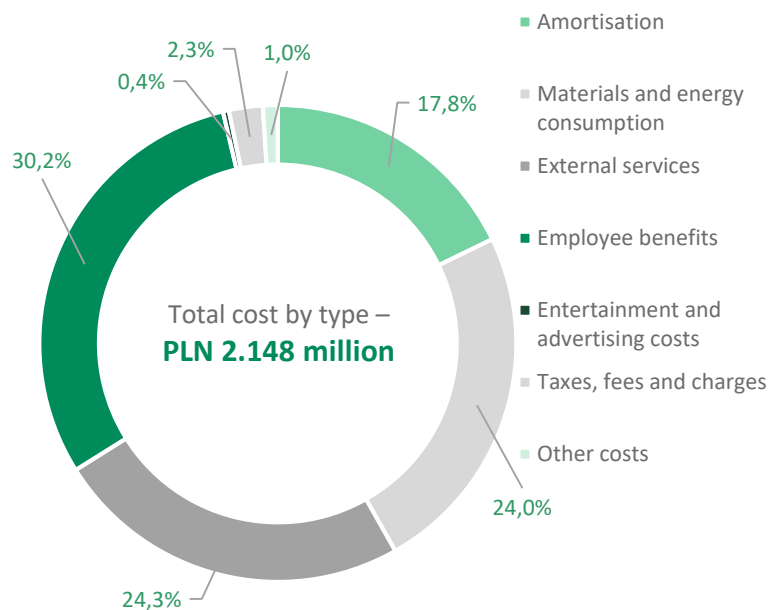
Gross extraction – down by 1.0%, i.e. 153,000 tonnes

Net extraction – up by 4.9%, i.e. by 444,000 tonnes

New excavations – down by 21.4% (29.1 km in 2019 compared to 37.0 km in 2018)

Total costs by type – PLN 2.148 million in 2019, increase in relation to 2018 by 1.6%, i.e. PLN 33.3 million

Cash costs (net of depreciation / amortisation) – increase by 2.8%, i.e. by approx. PLN 49 million



Taxes and charges (+21.7% y/y):

- ✓ increase in real property tax
- ✓ increase in payments to the National Fund for the Disabled

Other costs (+29.0% y/y):

- ✓ an insurance policy regarding the Company's assets was excluded from the costs of the period – settled through accruals and deferrals

Depreciation / Amortisation (-3.8% y/y):

- ✓ lower value of depreciation / amortisation of non-current assets
- ✓ a drop in the natural depreciation (removal of longwall galleries of a lower initial value)

Materials and energy consumption (-9.9% y/y):

- ✓ decrease in the value of parts to wall conveyors and the value of parts to JOY conveyor
- ✓ in relation to a lower gross extraction the value of energy consumption went down (understood as a sum of electric and heat energy, water and waste water)

Entertainment and advertising costs (-9.1% y/y):

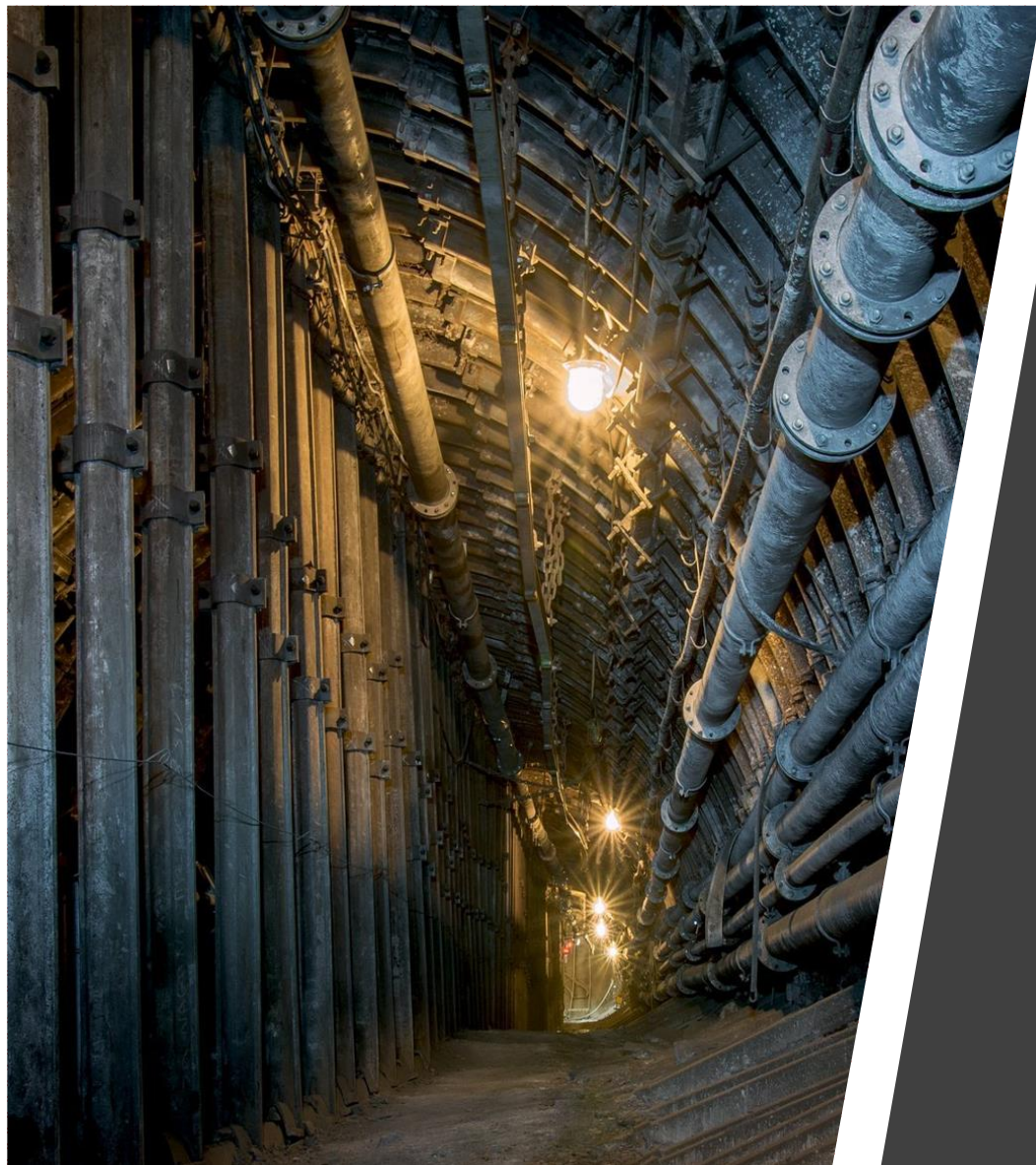
- ✓ shifts in sponsorship agreements schedules

Employee benefits (+11.2% y/y):

- ✓ average employment in 2019 - 4,831, i.e. +196 people compared to 2018
- ✓ increase in remunerations and overheads, as well as increase in average employment
- ✓ introduction of employee retirement plans (Pracowniczy Plan Emerytalny)

Outsourced services (+5.4 y/y):

- ✓ higher costs of drilling and reconstruction of existing workings
- ✓ higher costs of work performed on Saturdays and Sundays, auxiliary works
- ✓ increase in cost of waste management
- ✓ higher level of services related to land reclamation



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Performance of the
plan in Q4 2019, 2019
and plan for 2020

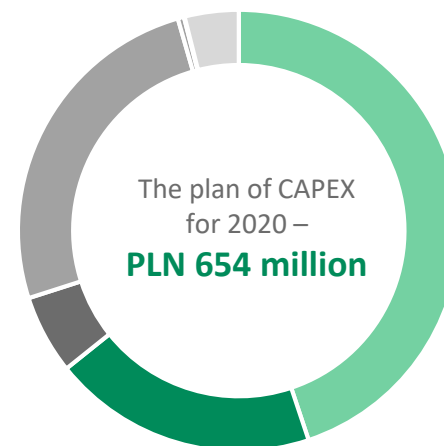


The use of CAPEX in 2019 – in accordance with the Strategy is over PLN 410 million

Item [PLN '000]	Realization of plan 2019	Realization of plan 2019 [%]	Plan for 2020 r.
New excavations and upgrades of existing ones	295,412	89.9%	293,582
Maintenance of machinery	57,001	61.0%	126,775
Obtaining new licences	2,871	41.9%	350
Ostrów Field	864	10.5%	2,950
Longwalls	5	0.0%	166,750
Other development investments	36,559	82.8%	37,909
ICT	3,081	45.7%	6,705
Administration	81	405.0%	30
Transport	695	31.8%	95
Other	3,394	47.4%	5,476
TOTAL CAPEX in LW Bogdanka SA	399,963	80.5%	640,622
Łęczyńska Energetyka sp. z o.o.	6,273	48.3%	10,800
Other subsidiaries	4,174	286.7%	2,739
TOTAL CAPEX AT THE LW BOGDANKA GROUP	410,410	80.2%	654,161

Deliveries of devices for the ploughing system used for the exploitation of the first wall in seam 391, field VIII, were rescheduled to January 2020

As far as preparatory works are concerned, the Company plans to decrease the length of new workings planned for 2019 by almost 6 km (with an estimated value of PLN 56.2 million).



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

As at the date of publication of this report the Company adopted the investment plan which assumes the full performance of production targets. The level of plan performance may be influenced by potential adoption of 'alternative scenarios' as an answer to the coronavirus SARS-Cov-2 pandemic. These scenarios are discussed in the financial statements and Directors' Report on Operations of LW Bogdanka S.A. and the LW Bogdanka Group for 2019.



- In 2019 saw decreases in coal prices on the global market (**-37.9%** compared to 2018) while on the domestic market coal prices grew (**+9.4%** comparing to 2018).
- In 2019 the Company performed its production plan at a level of more than **9.5 million tonnes** and sales plan at a level of **9.4 million tonnes**. In total 29.1 km of galleries was made (-21.4% compared to 2018).
- The Company retains a strong market position achieving, in 2019, the share in the market of thermal coal sales of **20.8%**, and the share in the market of thermal coal sales to commercial power plants of **26.8%**
- We achieved very good financial results in 2019 as a result of an increase in production and, concurrently, sales at a higher price – we recorded an increase in revenue by **22.8%** (compared to 2018), EBITDA was **PLN 767.6 million**, operating profit **PLN 375.2 million**, and net profit **PLN 308.7 million**
- We obtained the coal mining licence for deposits K-6 and K-7. The exploitable resources were increased by **66 million tonnes**.
- Dividend in 2019 was paid from the 2018 net profit at a level of **PLN 0.75 per share**



Thank you

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Appendices – Financial information



Statement of Financial Position of LW Bogdanka Capital Group

Item [PLN '000]	31.12.2018	31.12.2019
Non-current assets, including:	3,463,822	3,509,780
Cash and cash equivalents	128,279	133,998
Current assets, including:	469,529	742,684
Cash and cash equivalents	170,793	382,740
Total assets	3,933,351	4,252,464
Current liabilities	446,803	374,162
Non-current liabilities	536,432	649,800
Total liabilities	983,235	1,023,962
Equity	2,950,116	3,228,502
Current borrowings	3,212	3,182



Cash flow GK LW Bogdanka

Item [PLN '000]	2018	2019
Net cash flows on operating activities	458,874	720,977
Cash inflow from operating activities	460,563	785,754
Interest received	-9,545	-4,060
Income tax paid	7,856	-60,717
Net cash flows on investing activities	-418,232	-476,533
Acquisition of property, plant and equipment	-415,277	-468,932
Interest paid regarding investing activity	-5,544	-
Acquisition of intangible assets	-5,243	-8,210
Inflow from the sale of property, plant and equipment	3,613	1,025
Interest received	8,623	5,236
Expenditure on other current investments	-153,098	-68
Proceeds from current investments	155,167	135
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	-6,473	-5,719
Net cash flows on financing activities	-304,777	-32,497
Bond redemption	-300,000	-
Payments under lease liabilities	-	-3,415
Repayments of loans and borrowings	-3,036	-3,036
Interest and commissions paid due to financing activities	-1,741	-651
Received budgetary contributions	-	115
Dividends paid	-	-25,510
Net decrease/increase in cash and cash equivalents	-264,135	211,947
Cash and cash equivalents at beginning of period	434,928	170,793
Cash and cash equivalents at end of period	170,793	382,740



Sales structure at LW Bogdanka Capital Group

Item [PLN '000]	Q4 2018	Share [%]	Q4 2019	Share [%]
Coal sales	407,942	96.9%	519,255	97.6%
Other activities	8,201	1.9%	8,842	1.7%
Sales of merchandise and materials	4,891	1.2%	3,652	0.7%
Total revenue	421,034	100.0%	531,749	100.0%



Provisions at the LW Bogdanka SA

Balance-sheet provisions

[PLN '000]	As at 31.12.2018	As at 31.12.2019	Change 2019/2018
Employee provisions	161,735	187,230	15.8%
Liabilities under local property tax	41,431	10,306	-75.1%
Mine decommissioning and land reclamation provision	124,207	171,635	38.2%
Mining damage	3,184	2,149	-32.6%
Accident insurance premium (ZUS)	22,658	-	-
Other	11,858	12,208	3.0%
Total	365,073	383,528	5.1%

The total provisions as at 31 December 2019 amounted to PLN 383,528,000, which means an increase by 5.21% compared to the value as at 31 December 2018.

Change in provisions

[PLN '000]	Change Q4 2018	Change Q4 2019	Change Q4 2019/ Q4 2018	Change w 2018	Change w 2019	Change 2019/2018
Employee provisions	7,774	18,040	123.2%	8,173	25,495	211.9%
Liabilities under local property tax	-7,494	-8,944	19.3%	-922	-31,125	3275.8%
Mine decommissioning and land reclamation provision	-698	32,844	-	9,759	47,428	386.0%
Mining damage	-266	-349	31.2%	-1,250	-1,035	-17.2%
Accident insurance premium (ZUS)	335	-	-	1,318	-22,658	-
Other	-238	-118	-23.1%	-5,559	350	-
Total	-587	41,473	-	11,519	18,455	60.2%



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Thank you for your
attention