



2020

Presentation of results
the LW Bogdanka Group
Q1 2020



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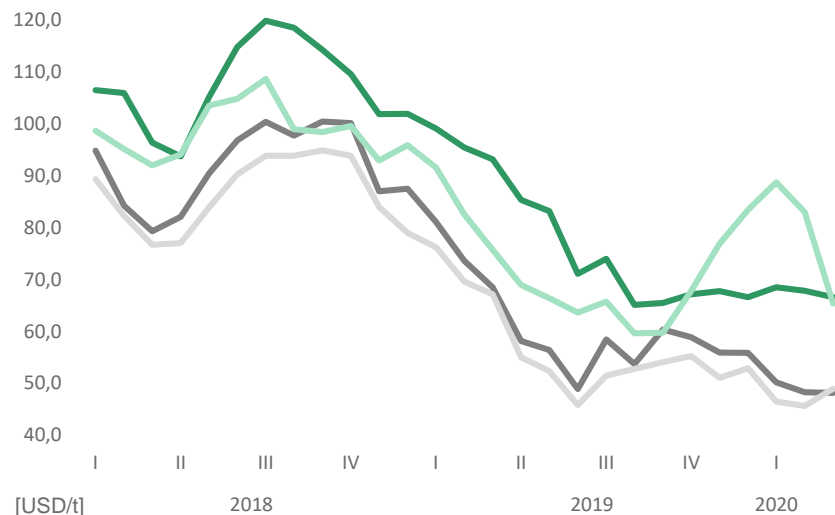


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Situation on the coal market
and key operating data



Decrease of coal prices on the global market in Q1 2020 vs. Q1 2019 by 34.3%



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

CIF ARA coal prices:

- ✓ USD 48.9/tonne - the average coal price (CIF ARA) in Q1 2020, i.e. -34.3% (compared to USD 74.4/tonne in Q1 2019)
- ✓ comparing to the average coal price (CIF ARA) in Q4 2019, (USD 56.9/tonne), it's a decrease by 14.1%

Inventories in ARA ports:

- ✓ 5.9.- 6.0 million tonnes of coal inventories at the end of March 2020 in the ARA ports, at the end of December 2019 amounted to 6.1 – 6.5 million tonnes

FOB BP coal prices:

- ✓ The average coal price FOB Baltic Ports in Q1 2020 amounted to USD 71.0/tonne, i.e. -33.8% compared to Q1 2019
- ✓ comparing to the average coal price in Q4 2019, i.e. USD 53.1/tonne, it's a decrease by 11.5%



Increase of coal production in China in Q1 2020



1. China:

- ✓ approx. 829.9 million tonnes of coal were produced in Q1 2020, +2.1% compared to Q1 2019 (812.6 million tonnes)
- ✓ imports in Q1 2020 were 95.8 million tonnes – an increase by approx.28.4% compared to Q1 2019 (74.6 million tonnes)

2. USA:

- ✓ production in Q1 2020 – 136.0 million tonnes, -12.0% compared to Q1 2019 (154.5 million tonnes)
- ✓ consumption in Q1 2020 – 107.5 million tonnes, -24.5% compared to Q1 2019 (142.3 million tonnes)
- ✓ exports in Q1 2020 – 17.9 million tonnes of hard coal, -16.8% y/y (21.4 million tonnes)

3. Russia:

- ✓ production in Q1 2020 – 87,2 million tonnes, -19.3% y/y
- ✓ exports in Q1 2020 – 37.0 million tonnes, -17.6% y/y (44.9 million tonnes)



Rises of thermal coal prices sold to commercial power plants on the domestic market in Q1 2020 vs. Q1 2019 by 9.7%



Thermal coal prices:

- ✓ in Q1 2020, the average annual price of fine thermal coal for commercial power plants was PLN 11.70 per GJ, the change dynamics was ca. 9.7% y/y
- ✓ average heating value of fine coal for commercial power plants was about 21.6 GJ

Prices based on the PSCMI index

- ✓ in Q1 2020 the average price based on the PSCMI index was approx. PLN 12.02 per GJ, which compared to average price in Q1 2019 (PLN 11.89 per GJ) represents an increase by approx. 1.1%



Decrease in extraction and sales of thermal coal market in Poland in Q1 2020 vs. Q1 2019

PERFORMANCE OF POLISH COMPANIES**:

	Q1 2019	Q1 2020	Change
Extraction of thermal coal in domestic coal market (million tonnes)	12.2	11.1	-9.0%
Sales of thermal coal in domestic coal market (million tonnes)	11.5	9.2	-20.0%
Average cost of coal sold (PLN)	330.3	357.2	8.1%

COAL PRICES:

Average price of power coal (PLN)	281.4	282.5	0.4%
Average price of coal sold to commercial power industry (PLN)	241.5	250.3	3.6%

DEMAND/SUPPLY:

Production of electric power in commercial power plants with the use of hard coal (GWh)	20,568	19,258	-6.4%
Inventories of coal in mines (million tonnes)**	1.8	5.4	200.0%

*PSE SA

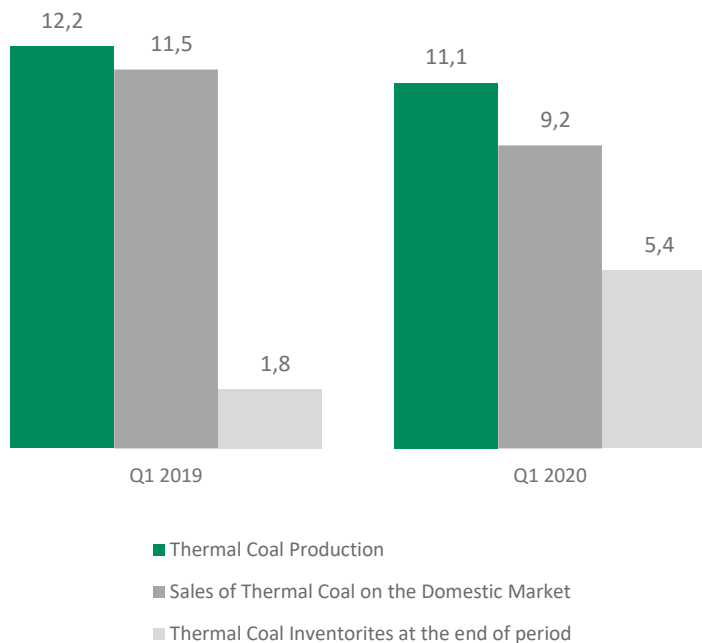
**data do not include Silesia, Siltech, Ekoplus

Source: ARP, PSE SA

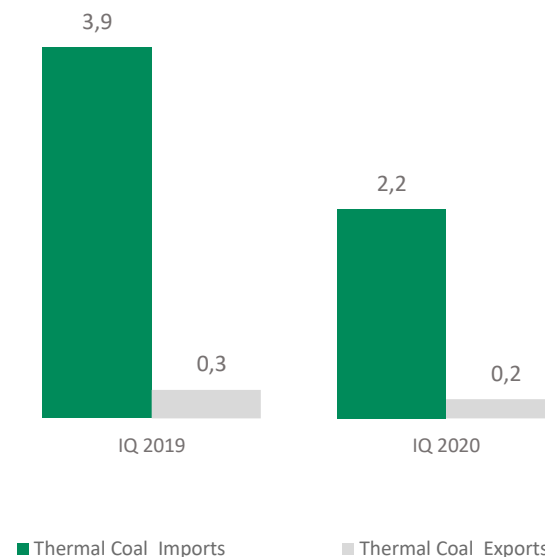


Decrease in production and sales of thermal coal market in Poland, import at the level of 2.2 million tonnes

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.



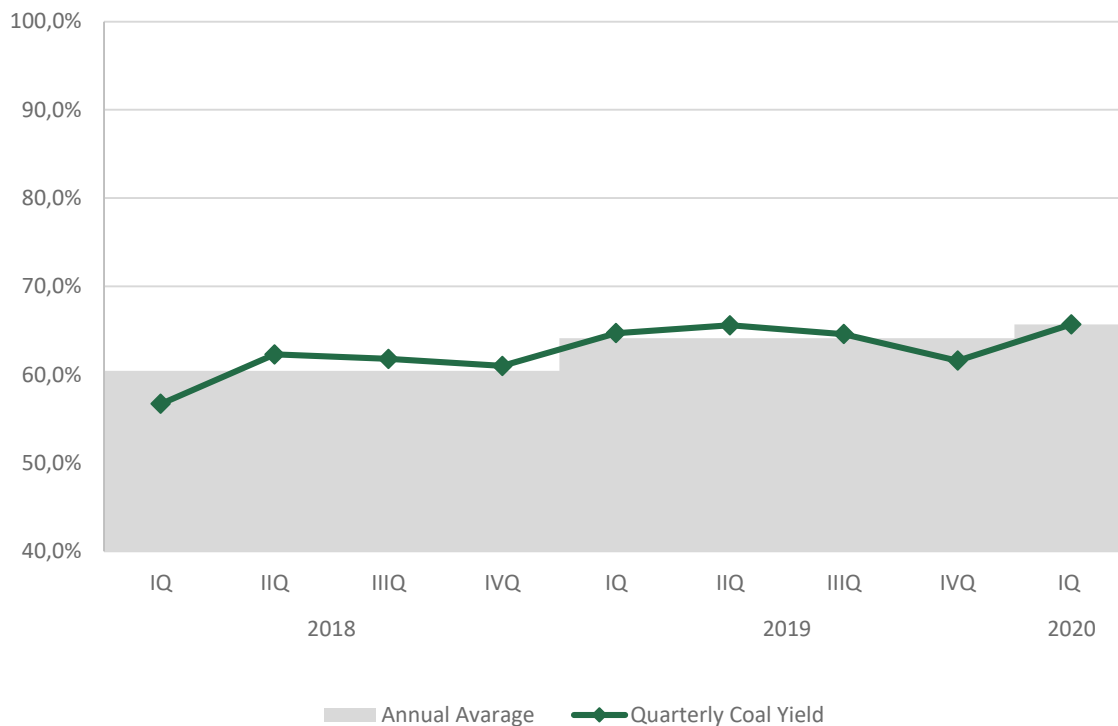
GK LW Bogdanka – decrease of gross production and coal sales in Q1 2020 compared Q1 2019



*Length of excavations made includes reconstruction works
Source: In-house data



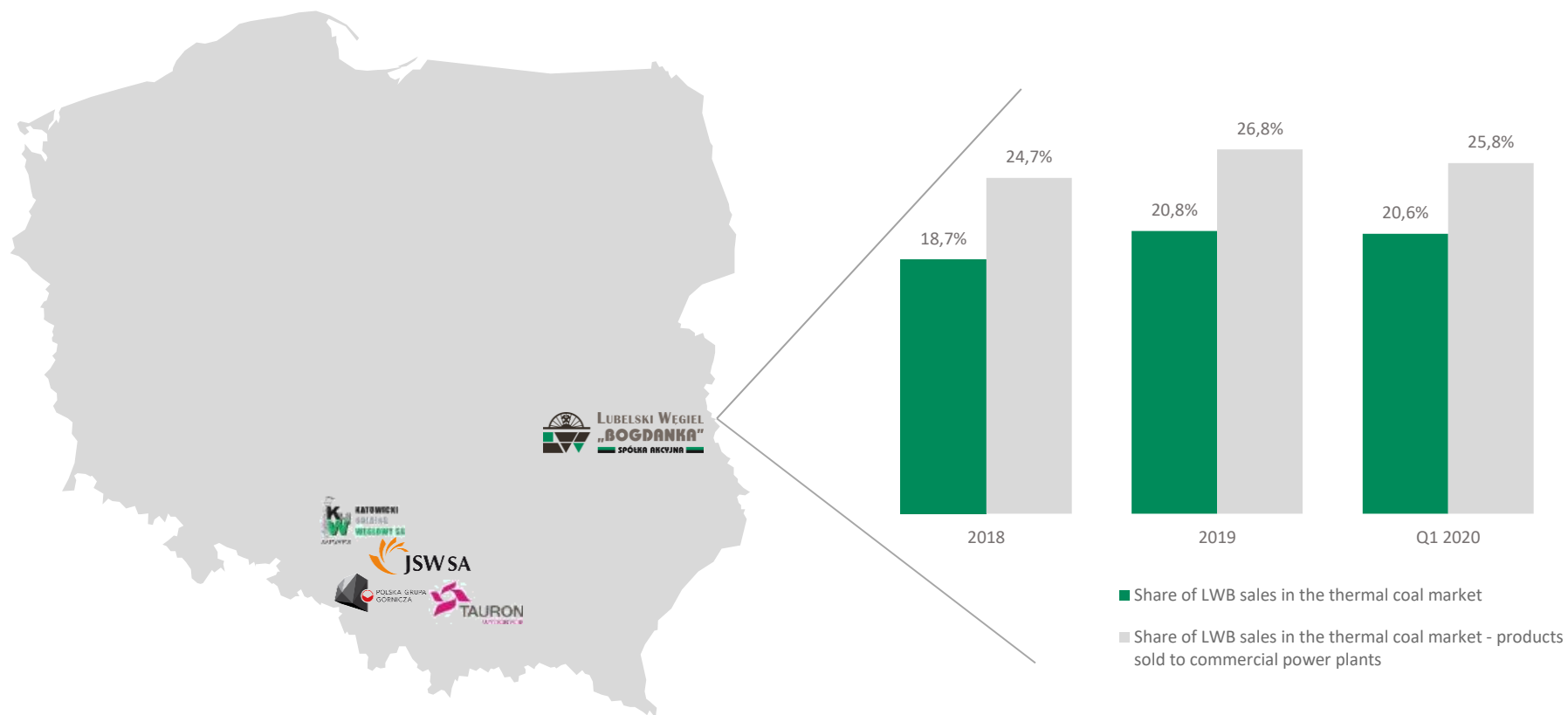
Coal yield at a level of 65.7% in Q1 2020



- ✓ coal yield in Q1 2020 was about 65.7% and was higher than in Q1 2019 (64.7%) and higher than in Q4 2019 (61.6%)
- ✓ in Q1 2020 35.9% of raw coal was obtained from low walls and 64.1% high walls. In the same period of 2019 this ratio was 39.5% compared to 60.5%.
- ✓ production in Q1 2020 was conducted on 74 days, compared to 76 days in the same period 2019



We keep a strong position on the coal market – 25.8% of share in sales to commercial power plants





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Financial highlights of
the LW Bogdanka
Group in Q1 2020

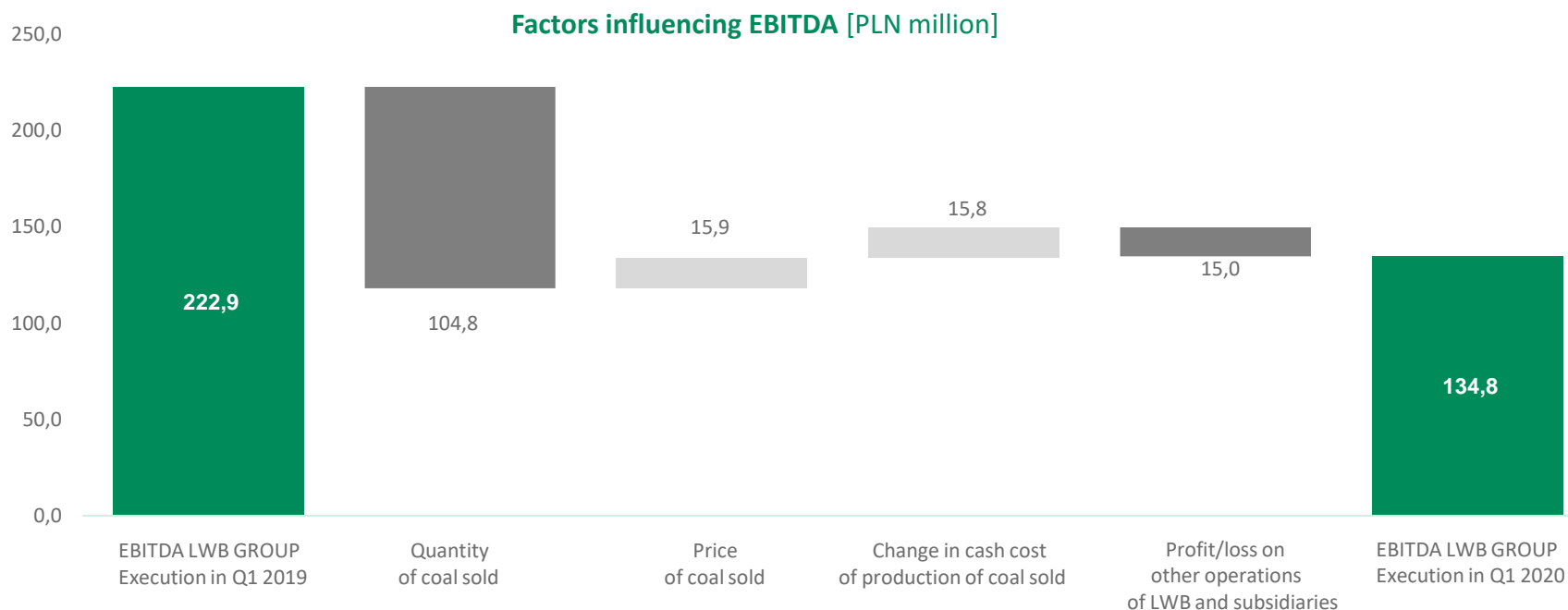


Higher coal yield, decrease in production and sales in Q1 2020 vs. Q1 2019

Item	Unit	Q1 2019	Q1 2020	Change
Technical and operating data				
Gross production	'000 tonnes	3,911	3,146	-19.6%
Net production	'000 tonnes	2,532	2,066	-18.4%
Coal yield	%	64.7%	65.7%	1.5%
Coal sales	'000 tonnes	2,365	1,918	-18.9%
Inventories (end of period)	'000 tonnes	255	327	28.2%
New workings (by length)*	km	7.9	6.7	-15.2%
Financial data				
Revenue	PLN' 000	540,787	464,081	-14.2%
EBITDA	PLN' 000	222,860	134,807	-39.5%
EBIT	PLN' 000	127,966	44,894	-64.9%
Net profit	PLN' 000	109,969	33,668	-69.4%



Drop in EBITDA in Q1 2020 compared to Q1 2019 caused by lower sales of coal



Q1 2020

Factors influencing EBITDA:

(-) EBITDA margin – 29.0% in Q1 2020 comparing to 41.2% in Q1 2019

(-) decrease in revenue on sales of coal: lower quantitative sales (-447,000 tonnes, -18.9%)

(+) higher price of coal sold

(+) gross extraction lower by 765,000 tonnes (-19.6%) – decrease in production cost

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



The Group's result in Q1 2020 was influenced by: decreased production and sales

Item [PLN '000]	Q1 2019	IQ 2020	Change
Revenue	540,787	464,081	-14.2%
Costs of products, goods and materials sold, selling and administrative expenses	429,944	420,082	-2.3%
Profit on sales	110,843	43,999	-60.3%
Gross sales margin	20.5%	9.5%	-11.0 p.p
Other income	1,315	1,567	19.2%
Other costs	326	151	-53.7%
Net operating profit	111,832	45,415	-59.4%
Other net losses	16,134	-521	-
Operating profit (EBIT)	127,966	44,894	-64.9%
EBIT margin	23.7%	9.7%	-14.0 p.p
EBITDA	222,860	134,807	-39.5%
EBITDA margin	41.2%	29.0%	-12.2 p.p
Finance income	7,133	1,578	-77.9%
Finance costs	3,295	2,909	-11.7%
Profit before taxation	131,804	43,563	-66.9%
Pre-tax profit margin	24.4%	9.4%	-15.0 p.p
Income tax	21,835	9,895	-54.7%
Net profit for the financial year	109,969	33,668	-69.4%
Net sales margin	20.3%	7.3%	-13.0 p.p



In Q1 2020 decrease in net extraction by 18.4% and in coal sales by 18.9% with lower costs by type of LW Bogdanka S.A. by 0.3%

Item [PLN '000]	Q1 2019	Q1 2020	Change
Net production ['000 tonnes]	2,532	2,066	-18.4%
Coal sales ['000 tonnes]	2,365	1,918	-18.9%
Depreciation and amortization	92,523	87,212	-5.7%
Materials and energy	128,109	126,318	-1.4%
External services	127,183	119,362	-6.1%
Employee cost and benefits	135,832	147,750	8.8%
Entertainment and advertising	2,149	3 181	48.0%
Taxes and charges	12,246	13 198	7.8%
Other expenses	1,010	524	-48.1%
Cost by nature	499,052	497,545	-0.3%
Cost of activities for the Company's own needs	-60,073	-73,872	23.0%
Accruals and deferrals	18,481	20,159	9.1%
Value of coal obtained from excavations	-25,500	-12,812	-49.8%
Provisions and other presentation adjustments between costs by type and by function	20,970	19,285	-8.0%
Total production costs	452,930	450,305	-0.6%
Change in product inventories	-25,983	-31,797	22.4%
Value of goods and materials sold	5,698	3,362	-41.0%
Own cost of production sold, including:	432,645	421,870	-2.5%
Costs of products, goods and materials sold	397,992	382,928	-3.8%
Selling costs	9,136	7,950	-13.0%
Administrative costs	25,517	30,992	21.5%



In Q1 2020 decrease in net extraction by 18.4% and in coal sales by 18.9% with lower costs by type of LW Bogdanka S.A. by 0.3%

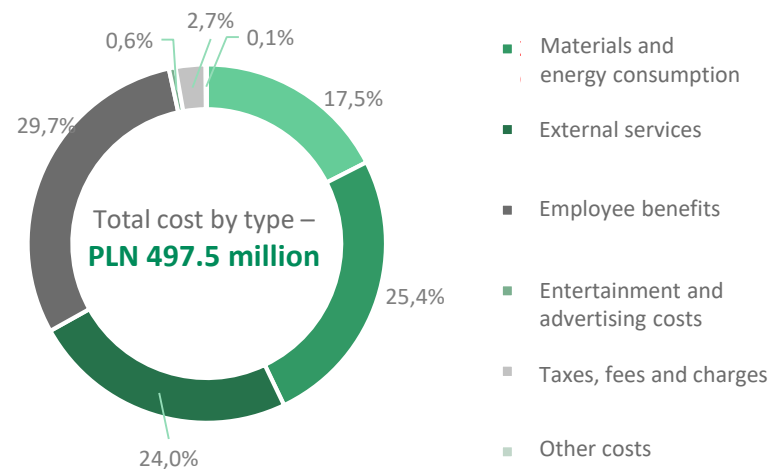
Gross extraction – down by 19.6%, i.e. 765,000 tonnes

Net extraction – down by 18.4%, i.e. by 446,000 tonnes

New excavations – down by 15.2% (6.7 km in Q1 2020 compared to 7.9 km in Q1 2019)

Total costs by type – PLN 497.5 million in 2020, increase in relation to 2019 by 0.3%, i.e. PLN 1.5 million

Cash costs by type (net of depreciation/amortisation) – increase by 0.9%, i.e. by approx. PLN 3.8 million



Taxes and charges (+7.8% y/y):

- ✓ increase in real property tax (change in the taxable base of underground workings: inclusion of support systems)
- ✓ increase in payments to the National Fund for the Disabled

Other costs (-48.1% y/y):

- ✓ lower value of property insurance; change in the payments schedule for third-party liability for the Management Board

Depreciation / Amortisation (-5.7% y/y):

- ✓ lower value of depreciation of non-current assets
- ✓ decrease in value in natural depreciation (wall mining progress and remitted value of longwall galleries dropped as a result of lower production)

Materials and energy consumption (-1.4% y/y):

- ✓ decrease in consumption of materials in preparatory units due to lower drilling excavations (lower use of support systems, preinsulated pipes, stirrups)
- ✓ increase in costs of electricity – higher purchase price

Entertainment and advertising costs (+48.0% y/y):

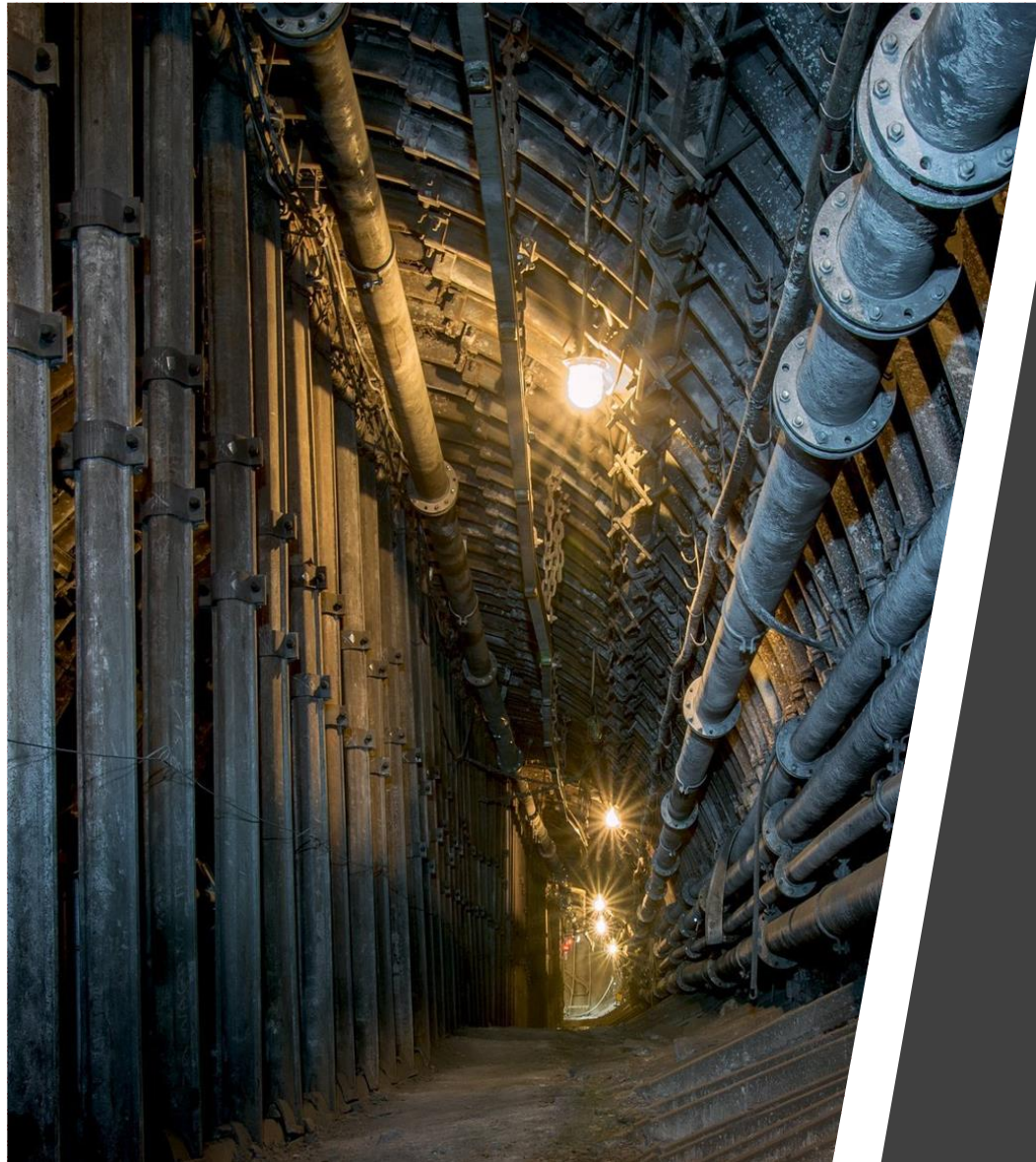
- ✓ modification of expenditure schedule for advertising in mass media

Employee benefits (+8.8% y/y):

- ✓ decrease in average employment: 4,917 in Q1 2020, i.e. +143 people compared to Q1 2019
- ✓ increase in average remuneration
- ✓ PPE (employee retirement plan) – the programme was not yet implemented in Q1 2019 (base understated)

Outsourced services (-6.1% y/y):

- ✓ lower costs of services related to drilling and reconstructions
- ✓ lower costs of mining & drilling and excavation works on working days and on Sundays and holidays
- ✓ lower costs of service of stone removal for land reclamation



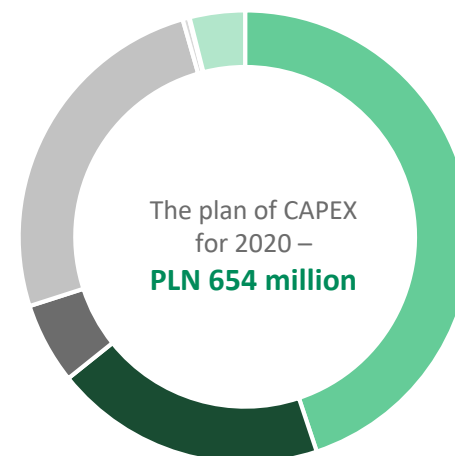
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Performance of the
plan in Q1 2020



The use of CAPEX in Q1 2020 – in accordance with the Strategy is over PLN 266 million

Item [PLN '000]	Plan for 2020	Realization of plan Q1 2020	Realization of plan Q1 2020 [%]
New excavations and upgrades of existing ones	293 582	72 915	24,8%
Maintenance of machinery	126 775	20 831	16,4%
Obtaining new licences	350	0	-
Ostrów Field	2 950	450	15,3%
Longwalls	166 750	166 055	99,6%
Other development investments	37 909	4 522	11,9%
ICT	6 705	256	3,8%
Administration	30	20	66,7%
Transport	95	0	0,0%
Other	5 476	739	13,5%
TOTAL CAPEX in LW Bogdanka SA	640 622	265 788	41,5%
Łęczynska Energetyka sp. z o.o.	10 800	326	3,0%
Other subsidiaries	2 739	159	5,8%
TOTAL CAPEX AT THE LW BOGDANKA GROUP	654 161	266 273	40,7%



- 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 the report the Company sustains 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 the first quarter of 2020.



- Q1 2020 saw decreases in coal prices on the global market (**-34.3%** compared to Q1 2019) while on the domestic market coal prices grew (**+9.7%** comparing to Q1 2019)
- In Q1 2020 the Company performed its production plan at a level of approximately **2.1 million tonnes** and sales plan at a level of over **1.9 million tonnes**. In total 6.7 km of galleries was made (-15.2% compared to Q1 2019)
- The Company retains a strong market position achieving, in Q1 2020, the share in the market of thermal coal sales of **20.6%**, and the share in the market of thermal coal sales to commercial power plants of **25.8%**
- The achieved financial results in Q1 2020 are a result of an adjustment of production to the Company's and sales capacities at a slightly higher price – revenue amounted to **464.1%**, EBITDA was **PLN 134.8 million**, operating profit **PLN 44.9 million**, and net profit **PLN 33.7 million**
- On 15 May 2020, the Management Board adopted a resolution on filing a motion to the Annual General Shareholders Meeting regarding the allocating the net profit generated by the Company in 2019 to the reserve capital in full amount.



Thank you

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Investor relations

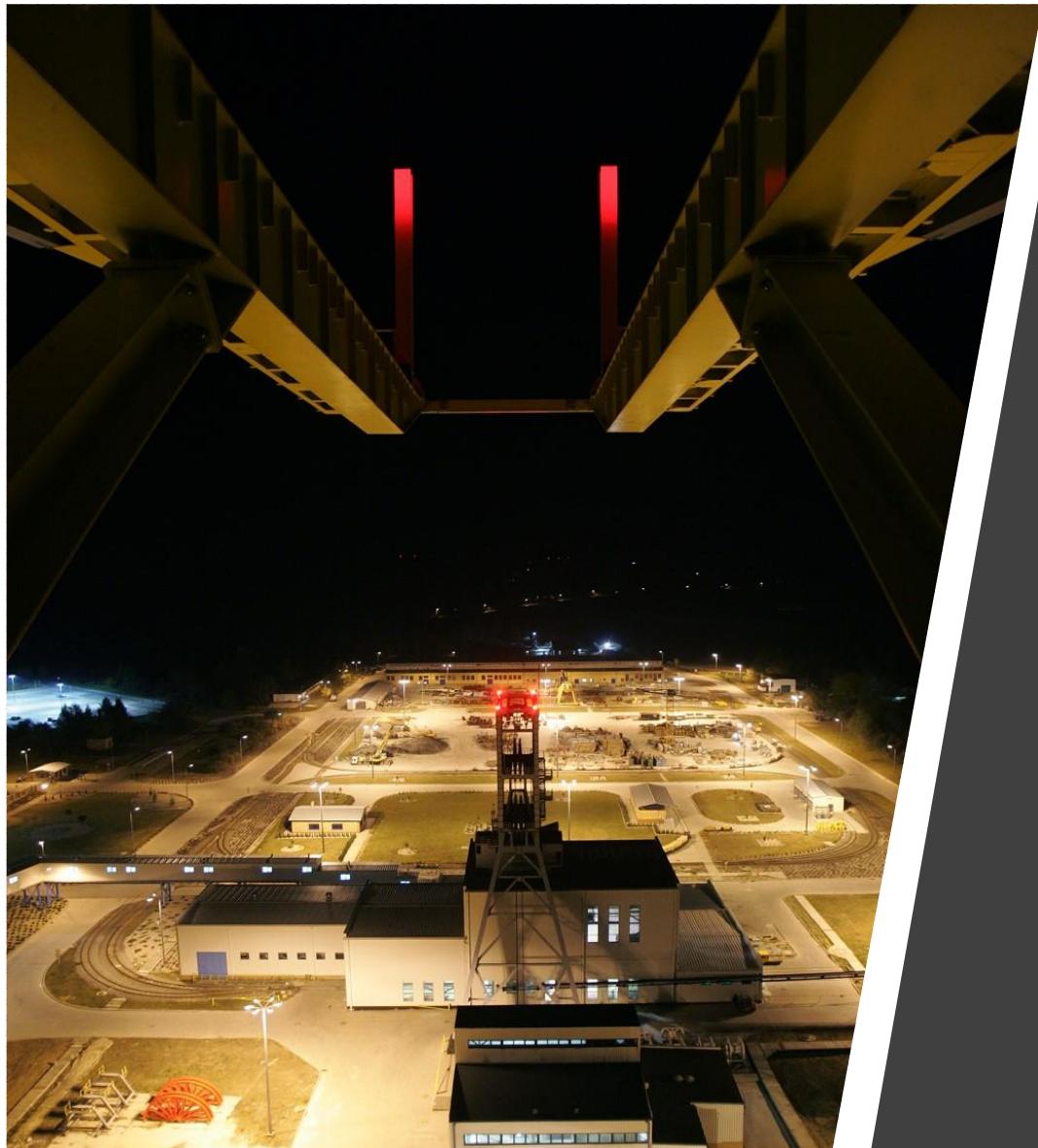
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Appendices – Financial
information



Statement of Financial Position of LW Bogdanka Capital Group

Item [PLN '000]	31.12.2019	31.03.2020
Non-current assets, including:	3,509,780	3,688,594
Cash and cash equivalents	133,998	134,010
Current assets, including:	742,684	683,223
Cash and cash equivalents	382,740	257,701
Total assets	4,252,464	4,351,817
Current liabilities	374,162	438,159
Non-current liabilities	649,800	651,488
Total liabilities	1,023,962	1,089,647
Equity	3,228,502	3,262,170
Current borrowings	3,182	3,172



Cash flow GK LW Bogdanka

Item [PLN '000]	Q1 2018	Q1 2020
Net cash flows on operating activities	150,260	77,349
Cash inflow from operating activities	169,242	83,351
Interest received/paid	311	(612)
Income tax paid	(19,293)	(5,390)
Net cash flows on investing activities	(147,673)	(200,190)
Acquisition of property, plant and equipment	(146,126)	(199,532)
Interest paid regarding investing activity	-	-
Acquisition of intangible assets	(1,914)	(1,933)
Inflow from the sale of property, plant and equipment	1	49
Interest received	368	1,238
Expenditure on other current investments	(68)	-
Proceeds from current investments	67	-
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	(1)	(12)
Net cash flows on financing activities	(2,228)	(2,198)
Bond redemption	-	-
Repayments of loans and borrowings	(759)	(759)
Lease payments	(1,222)	(1,294)
Interest and commissions paid due to financing activities	(247)	(145)
Net increase/decrease in cash and cash equivalents	359	(125,039)
Cash and cash equivalents at beginning of period	170,793	382,740
Cash and cash equivalents at end of period	171,152	257,701



Sales structure at LW Bogdanka Capital Group

Item [PLN '000]	Q1 2019	Share [%]	IQ 2020	Udział [%]
Coal sales	526,277	97.3%	450,560	97.1%
Other activities	8,777	1.6%	10,159	2.2%
Sales of merchandise and materials	5,733	1.1%	3,362	0.7%
Total revenue	540,787	100.0%	464,081	100.0%



Provisions at the LW Bogdanka SA

Balance-sheet provisions

[PLN '000]	Q1 2019	2019	Q1 2020	Change Q1 2020/ 2019	Change Q1 2020/ Q1 2019
Employee provisions	174,489	191 965	199 346	3,8%	14,2%
Liabilities under local property tax	43,723	10 306	10 457	1,5%	-76,1%
Mine decommissioning and land reclamation provision	124,817	171 635	172 047	0,2%	37,8%
Mining damage	3,128	2 149	2 104	-2,1%	-32,7%
Other	11,968	12 237	12 837	4,9%	7,3%
Total	358,125	388 292	396 791	2,2%	10,8%

The total provisions as at 31 March 2020 amounted to PLN 396,79,000, which means a decrease by 2,2% compared to the value as at 31 December 2019

Change in provisions

PLN '000]	Change Q1 2019	Change Q1 2020	Change Q1 2020/ Q1 2019
Employee provisions	9,333	7,381	-20.9%
Liabilities under local property tax	2,292	151	-93.4%
Mine decommissioning and land reclamation provision	610	412	-32.5%
Mining damage	-56	-45	-19.6%
Accident insurance premium (ZUS)	-22,658	-	-100.0%
Other	85	600	605.9%
Total	-10,394	8,499	-



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