



2020

Presentation of results
the LW Bogdanka Group
Q3 2020, Q1-Q3 2020



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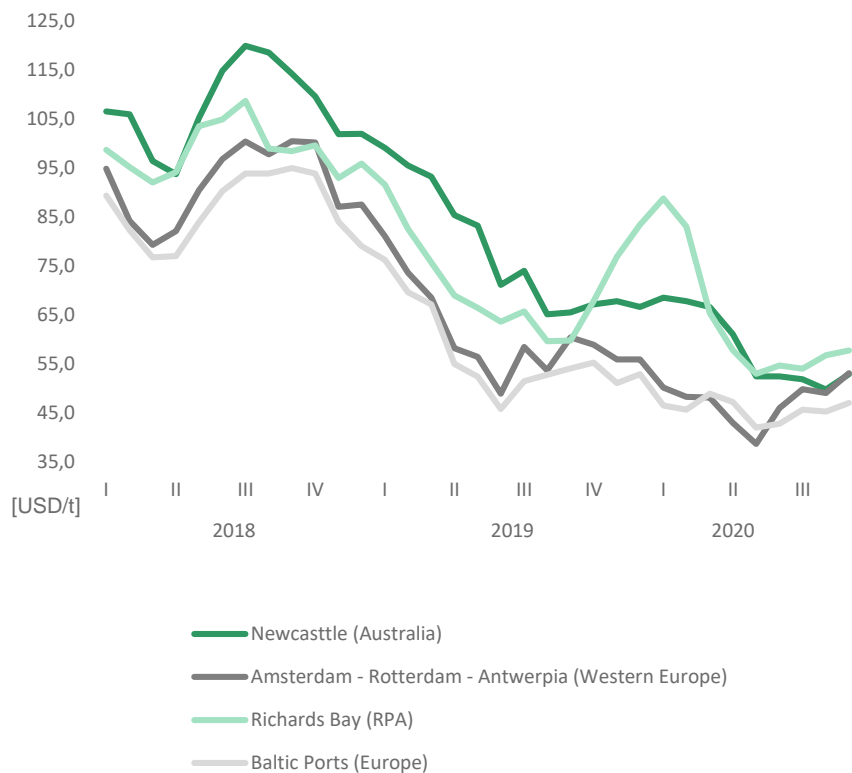


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Situation on the coal market
and key operating data



Increase of coal prices on the global market in Q3 2020 vs Q2 2020



CIF ARA coal prices

- ✓ USD 50.6/tonne - the average coal price (CIF ARA) in Q3 2020, i.e. -12.0% (compared to USD 57,5/tonne in Q3 2019)
- ✓ comparing to the average coal price (CIF ARA) in Q2 2020, (USD 42.6/tonne), it's an increase by 18.8%
- ✓ The average coal price in Q1-Q3 2020 amounted to USD 47.4/tonne, i.e. -23.7% (USD 64.4/tonne) compared to Q1-Q3 2019

Inventories in ARA ports

- ✓ 5.9 million tonnes of coal inventories at the end of September 2020 in ARA ports – compared to 5.8-6.0 million tonnes in June 2020

Prices in the world's main ports

- ✓ The average coal price FOB Baltic Ports in Q3 2020 amounted to USD 46.0/tonne, i.e. -12.9% compared to Q3 2019 (USD 52.8/tonne)
- ✓ comparing to the average price in Q2 2020 (USD 44.0/tonne), it's an increase by 4.5%
- ✓ The average coal price FOB Baltic Ports in Q1-Q3 2020 amounted to USD 45.7/tonne, i.e. -21.6% compared to Q1-Q3 2019 (USD 58.3/tonne)



Increase of coal production in China, decrease of coal production in USA and Russia in Q1-Q3 2020



1. China:

- ✓ Approx. 2.8 billion tonnes of coal were produced in Q1-Q3 2020, +3.7% compared to Q1-Q3 2019 (2.7 billion tonnes)
- ✓ imports in Q1-Q3 2020 were 239.4 million tonnes – a decrease by approx. 4.5% compared to Q1-Q3 2019 (250.6 million tonnes)

2. USA:

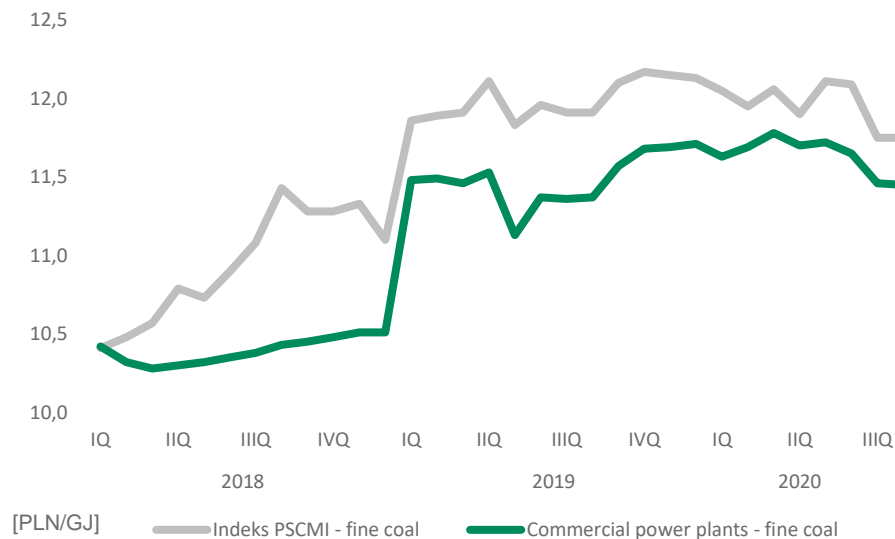
- ✓ Production in Q1-Q3 2020 was 361.2 million tonnes (-23.5% comparing to Q1-Q3 2019 (472.2 million tonnes)
- ✓ Consumption in Q1-Q3 2020 was 326.3 million tonnes (-22.4% comparing to Q1-Q3 2019 (420.3 million tonnes)
- ✓ Exports in Q1-Q3 2020 – 46.4 million tonnes of hard coal, -28.4% y/y

3. Russia:

- ✓ Production in Q1-Q3 2020 was 293.0 million tonnes -8.2% y/y (319,0 million tonnes in Q1-Q3 2019)
- ✓ Exports in Q1-Q3 2020 was 142.0 million tonnes -1,4% y/y (144,0 million tonnes in Q1-Q3 2019)



Stabilization of coal prices sold to commercial power plants on the domestic market



Fine thermal coal prices:

- ✓ in Q3 2020, the average annual price of fine thermal coal for commercial power plants was PLN 11.45 per GJ, the change dynamics was ca. 0.2% y/y
- ✓ in Q1-Q3 2020, the average annual price of fine thermal coal for commercial power plants was PLN 11.61 per GJ, the change dynamics was ca. 1.7% y/y
- ✓ average heating value of fine coal for commercial power plants was about 21.7 GJ

Prices based on the PSCMI index:

- ✓ in Q3 2020 the average price based on the PSCMI index was approx. PLN 11.78 per GJ, which compared to average price in Q3 2019 (PLN 11.97 per GJ) represents a decrease by approx. 1.6%
- ✓ in Q1-Q3 2020 the average price based on the PSCMI index was approx. PLN 11.95 per GJ, which compared to average price in Q1-Q3 2019 (PLN 11.94 per GJ) represents an increase by approx. 0.1%



Decrease in extraction and sales of thermal coal market in Poland in Q1-Q3 2020 compared to Q1-Q3 2019

PERFORMANCE OF POLISH COMPANIES:

	Q3 2019	Q3 2020	Change	Q1-Q3 2019	Q1-Q3 2020	Change
Extraction of thermal coal in domestic coal market (million tonnes)	11.5	10.1	-12.2%	35.6	29.5	-17.1%
Sales of thermal coal in domestic coal market (million tonnes)	10.9	9.4	-13.8%	32.5	26.8	-17.5%
Average cost of coal sold (PLN)	354.5	374.0	5.5%	345.0	384.7	11.7%

COAL PRICES:

Average price of power coal (PLN)	285.9	284.2	-0.6%	283.3	284.7	0.5%
Average price of coal sold to commercial power industry (PLN)	242.6	247.1	1.8%	241.0	249.6	3.6%

DEMAND/SUPPLY:

Production of electric power in commercial power plants with the use of hard coal (GWh)*	19,497	17,607	-9.7%	58,607	51,442	-12.2%
Inventories of coal in mines (million tonnes)**	3.6	5.5	52.8%	3.6	5.5	52.8%

*PSE SA

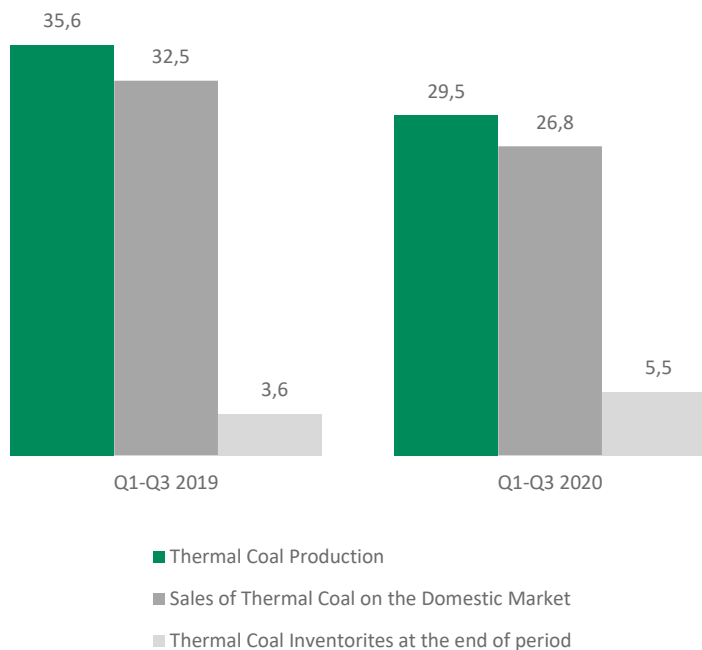
**data do not include Silesia, Siltech, Ekoplus .

Source: ARP, PSE SA

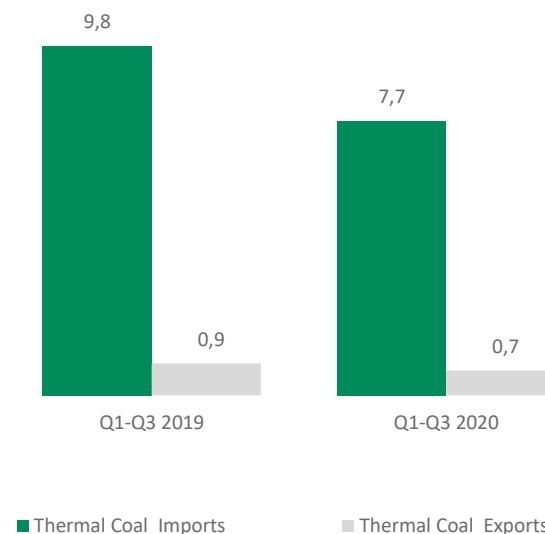


Drop in extraction, sales and imports of thermal coal

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



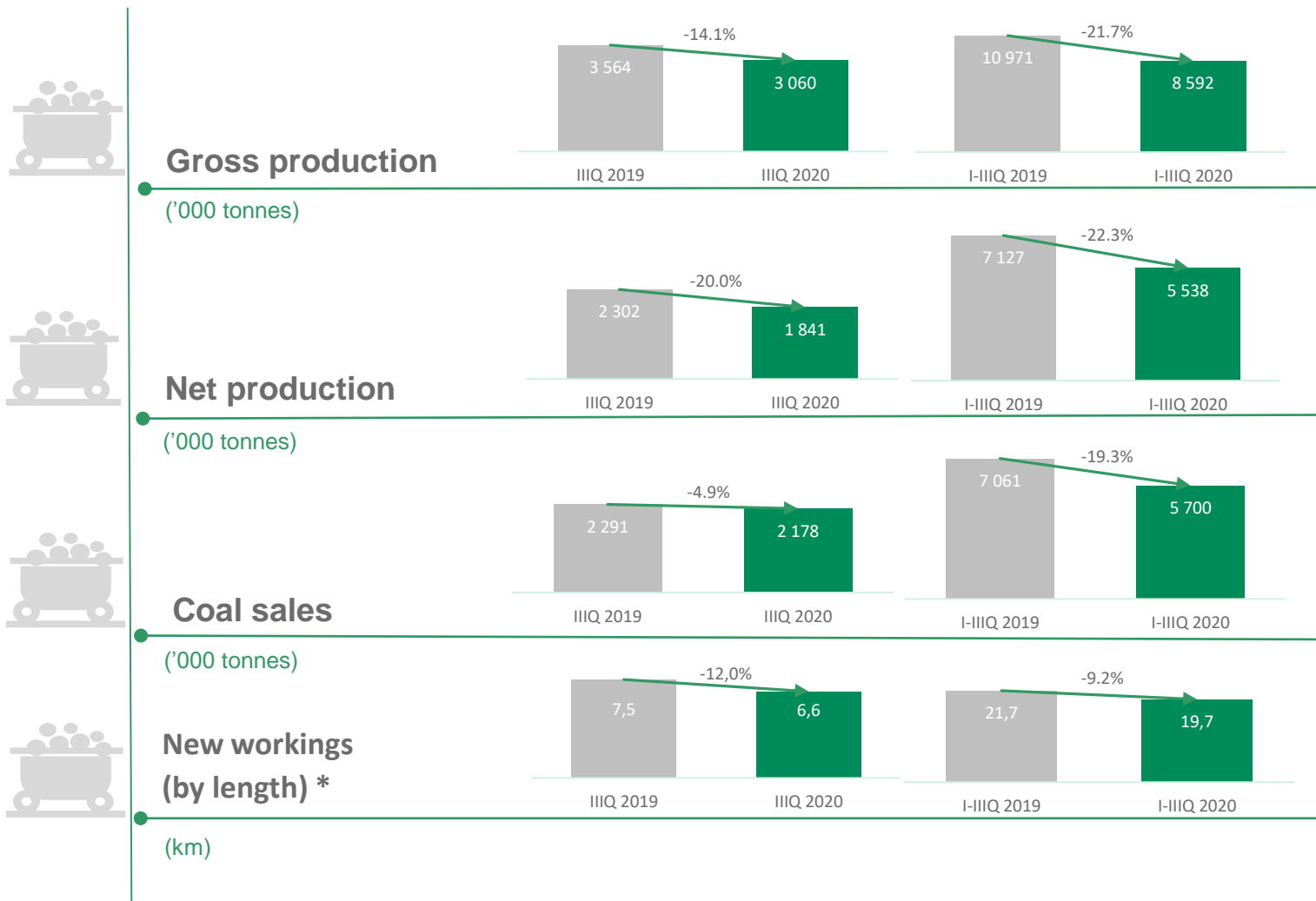
Thermal coal imports and exports [million tonnes]*



*data do not include Silesia, Siltech, Ekoplus .



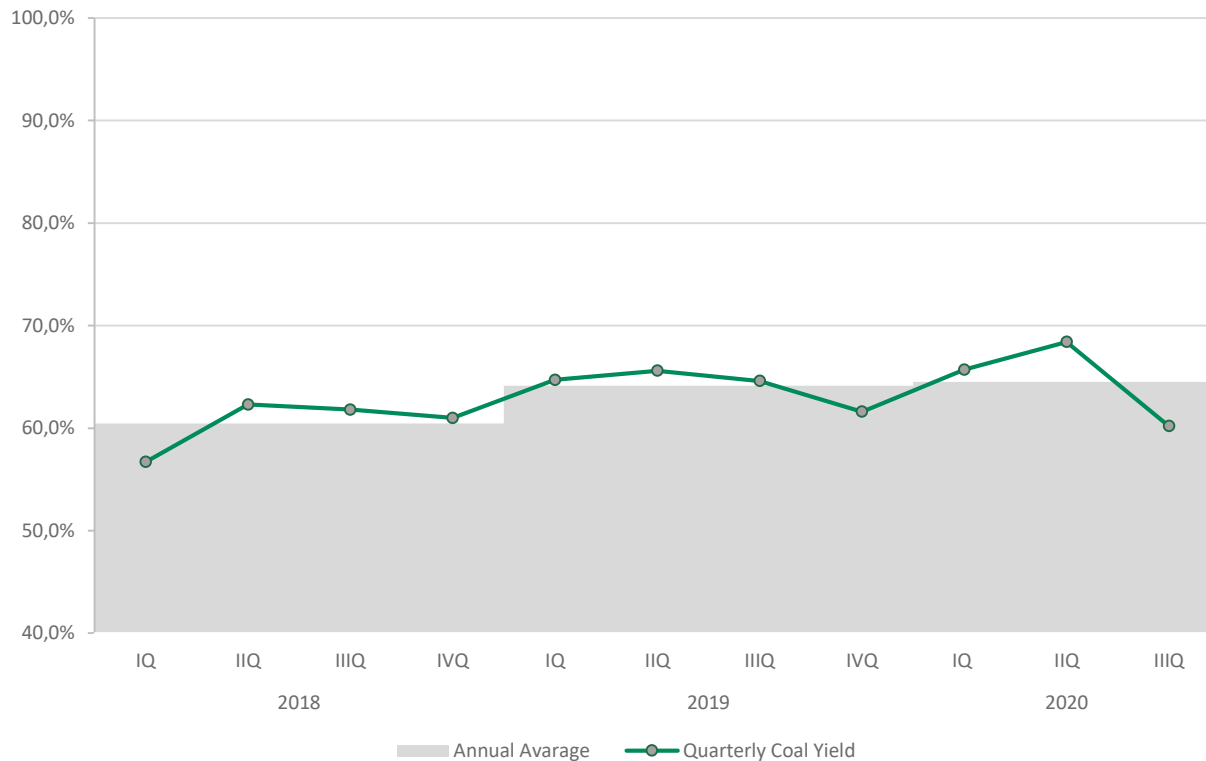
GK LW Bogdanka – decrease of net production and coal sales in Q1-Q3 2020 compared Q1-Q3 2019



*Length of excavations made includes reconstruction works



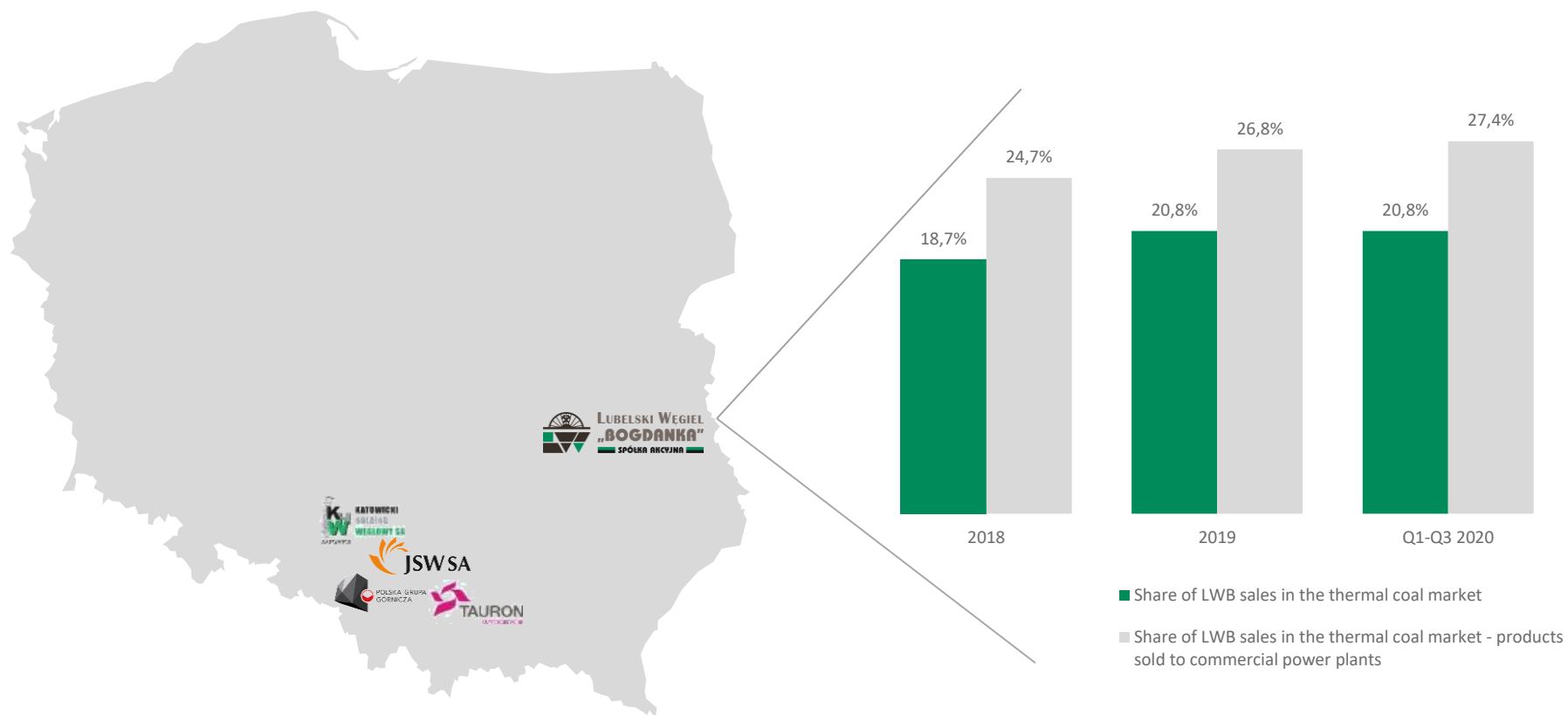
Coal yield at a level of 64.5% in Q1-Q3 2020



- ✓ coal yield in Q3 2020 was about 60.2% and was lower than in Q3 2019 (64.6%) and in Q2 2020 (68.4%)
- ✓ average yield in Q1-Q3 2020 was 64.5% compared to 65.0% in Q1-Q3 2019
- ✓ in Q3 2020 64.2% of raw coal was obtained from low walls and 35.8% high walls. In the same period of 2019 this ratio was 61.3% to 38.7%.
- ✓ in Q1-Q3 2020 46,3% of raw coal was obtained from low walls and 53.7% from high walls. In the same period of 2019 this ratio was 50.8% to 49.2%
- ✓ production in Q1-Q3 2020 was conducted on 217 days, compared to 228 days in the same period 2019



We keep a strong position on the coal market – 27.4% of share in sales to commercial power plants





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Financial highlights
of the LW Bogdanka
Group in Q3 2020
and Q1-Q3 2020



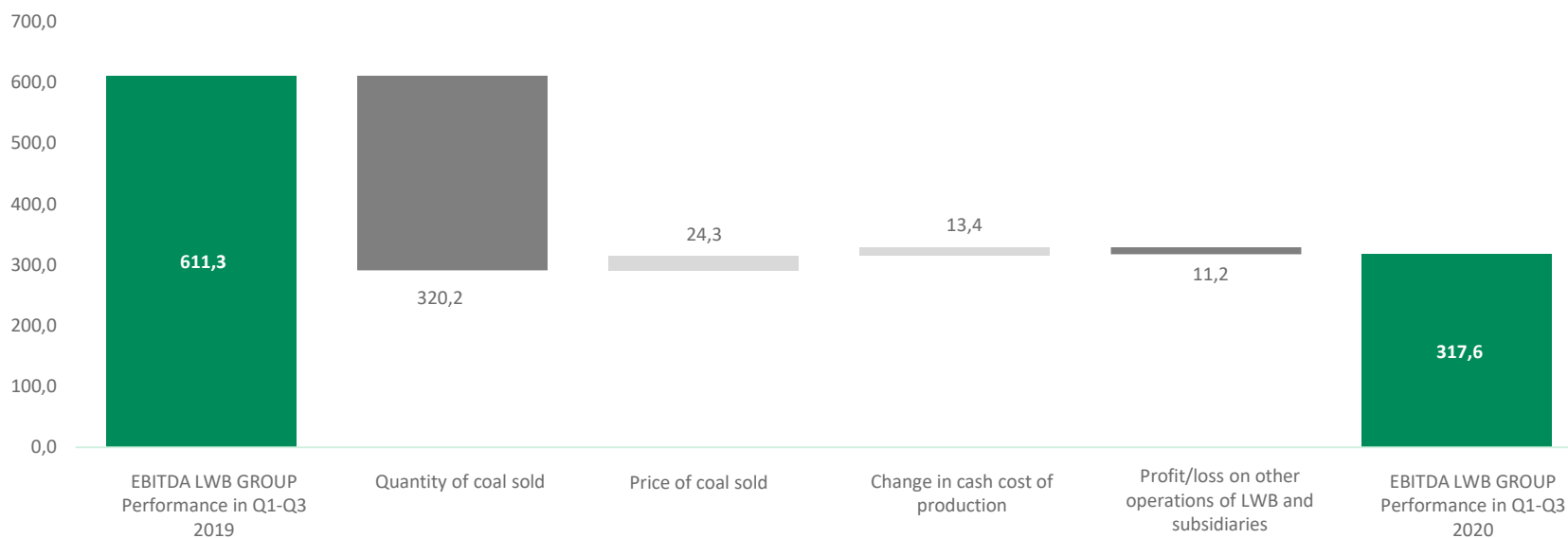
LW Bogdanka's operating results were driven by a temporary deterioration in the market and technical and geological difficulties

Item	Unit	Q3 2019	Q3 2020	Change	Q1-Q3 2019	Q1-Q3 2020	Change
Technical and operating data							
Gross production	'000 tonnes	3,564	3,060	-14.1%	10,971	8,592	-21.7%
Net production	'000 tonnes	2,302	1,841	-20.0%	7,127	5,538	-22.3%
Coal yield	%	64.6%	60.2%	-6.8%	65.0%	64.5%	-0.8%
Coal sales	'000 tonnes	2,291	2,178	-4.9%	7,061	5,700	-19.3%
Inventories (end of period)	'000 tonnes	153	17	-88.9%	153	17	-88.9%
New workings (by length)*	km	7.5	6.6	-12.0%	21.7	19.7	-9.2%
Financial data							
Revenue	PLN' 000	527,776	504,522	-4.4%	1,626,112	1,353,533	-16.8%
EBITDA	PLN' 000	176,927	96,540	-45.4%	611,346	317,648	-48.0%
EBIT	PLN' 000	77,872	842	-98.9%	319,679	50,742	-84.1%
Net profit	PLN' 000	66,031	-1,830	-102.8%	263,954	34,839	-86.8%



Drop in EBITDA in Q1-Q3 2020 compared to Q1-Q3 2019

Factors influencing EBITDA [PLN million]



Q1-Q3 2020

(-) drop in revenue on sales of coal due to decreased quantity of coal sold (-1.4 million tonnes);

(+) drop in quantitative sales partly compensated by higher price of coal sold;

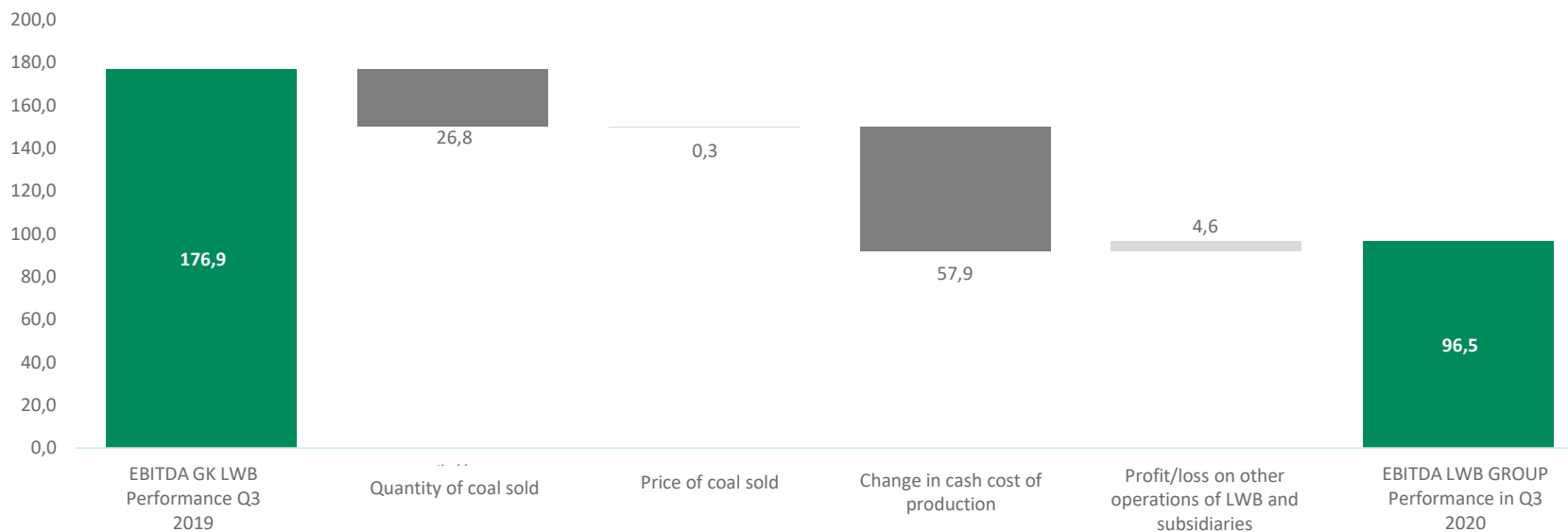
(+) drop in incurred cash cost of production of coal sold, gross extraction lower by 2.4 million tonnes, which translates into decrease in value of materials used and outsourced services with increase in unit price of electricity;

(-) in 2019 – release of the provision for disputable claims of the Social Security Institution (ZUS) (+ PLN 16 million).



Increase in EBITDA for Q3 2020 compared to Q3 2019

Factors influencing EBITDA [PLN million]



Q3 2020

(-) drop in revenue on sales of coal due to decreased quantity of coal sold (-0.1 million tonnes);

(-) lower price of coal sold (-0.1%);

(-) increased tax deductible expenses observed while coal production decreased by 0.46 million tonnes is a result of significant change in inventories in Q3 2020
In Q3 2020, coal inventories decreased by 0.34 million tonnes, while in Q3 2019 it increased by 0.01 million tonnes.



The Group's result in Q1-Q3 2020 was influenced by decreased in production and sales

Analysis of the consolidated income statement

Item [PLN '000]	Q3 2019	Q3 2020	Change	Q1-Q3 2019	Q1-Q3 2020	Change
Revenue	527,776	504,522	-4.4%	1,626,112	1,353,533	-16.8%
Costs of products, goods and materials sold, selling and administrative expenses	447,564	504,599	12.7%	1,321,771	1,304,606	-1.3%
Profit on sales	80,212	-77	-	304,341	48,927	-83.9%
Gross sales margin	15.2%	0.0%	-15.2 p.p	18.7%	3.6%	-15.1 p.p
Other income	756	1,004	32.8%	3,286	3,113	-5.3%
Other costs	237	246	3.8%	713	1,362	91.0%
Net operating profit	80,731	681	-99.2%	306,914	50,678	-83.5%
Other net losses	-2,859	161	-	12,765	64	-99.5%
Operating profit (EBIT)	77,872	842	-98.9%	319,679	50,742	-84.1%
EBIT margin	14.8%	0.2%	-14.6 p.p	19.7%	3.7%	-16.0 p.p
EBITDA	176,927	96,540	-45.4%	611,346	317,648	-48.0%
EBITDA margin	33.5%	19.1%	-14.4 p.p	37.6%	23.5%	-14.1 p.p
Finance income	2,507	104	-95.9%	10,806	2,564	-76.3%
Finance costs	940	2,369	152.0%	7,969	7,719	-3.1%
Profit before taxation	79,439	-1,423	-	322,516	45,587	-85.9%
Pre-tax profit margin	15.1%	-0.3%	-15.4 p.p	19.8%	3.4%	-16.4 p.p
Income tax	13,408	407	-97.0%	58,562	10,748	-81.6%
Net profit for the financial year	66,031	-1,830	-	263,954	34,839	-86.8%
Net sales margin	12.5%	-0.4%	-12.9 p.p	16.2%	2.6%	-13.6 p.p



Decrease in cost by nature of in Q1-Q3 2020 was due to lower production

Koszty według rodzaju

Item [PLN '000]	Q3 2019	Q3 2020	Change	Q1-Q3 2019	Q1-Q3 2020	Change
Net production ['000 tonnes]	2,302	1,841	-20.0%	7,127	5,538	-22.3%
Coal sales ['000 tonnes]	2,291	2,178	-4.9%	7,061	5,700	-19.3%
Depreciation and amortization	96,627	92,778	-4.0%	284,438	259,581	-8.7%
Materials and energy	135,355	123,872	-8.5%	380,524	366,973	-3.6%
External services	135,185	121,148	-10.4%	391,629	339,102	-13.4%
Employee cost and benefits	153,386	139,968	-8.7%	417,336	422,176	1.2%
Entertainment and advertising	3,221	2,643	-17.9%	6,427	6,460	0.5%
Taxes and charges	20,079	12,501	-37.7%	41,226	35,432	-14.1%
Other expenses	690	561	-18.7%	2,261	1,788	-20.9%
Cost by nature	544,543	493,471	-9.4%	1,523,841	1,431,512	-6.1%
Cost of activities for the Company's own needs	-99,362	-70,933	-28.6%	-225,383	-219,513	-2.6%
Accruals and deferrals	20,072	34,016	69.5%	66,584	77,245	16.0%
Value of coal obtained from excavations	-18,890	-16,075	-14.9%	-65,883	-40,710	-38.2%
Provisions and other presentation adjustments between costs by type and by function	50	-7,005	-	22,731	21,248	-6.5%
Total production costs	446,413	433,474	-2.9%	1,321,890	1,269,782	-3.9%
Change in product inventories	-2,013	67,821	-	-10,441	27,760	-
Value of goods and materials sold	3,704	3,316	-10.5%	13,771	9,332	-32.2%
Own cost of production sold, including:	448,104	504,611	12.6%	1,325,220	1,306,874	-1.4%
Costs of products, goods and materials sold	404,669	466,360	15.2%	1,213,518	1,191,287	-1.8%
Selling costs	10,351	9,482	-8.4%	28,286	24,458	-13.5%
Administrative costs	33,084	28,769	-13.0%	83,416	91,129	9.2%



Decrease in costs by type Q1-Q3 2020 by 6.1% caused by lower production

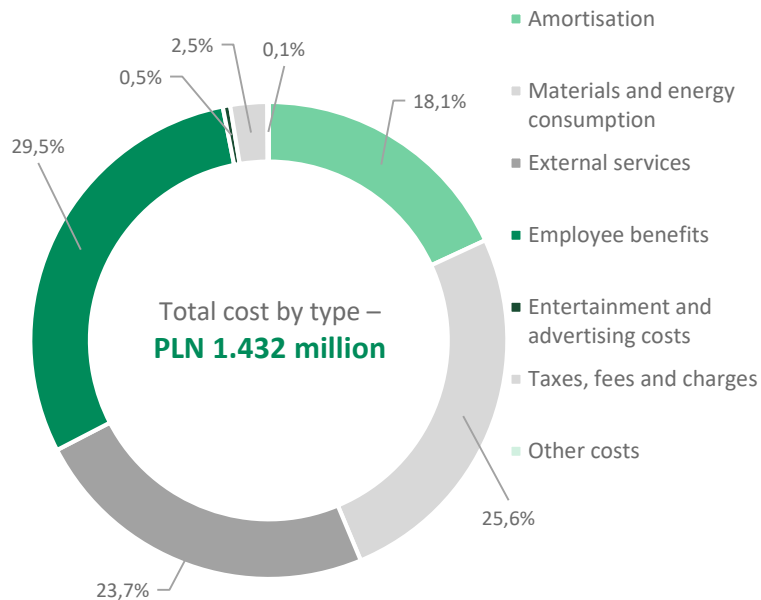
Gross extraction – decrease by 21.7%, i.e. 2,379,000 tonnes

Net extraction – down by 22.3%, i.e. by 1,589,000 tonnes

New excavations – decrease by 9.2% (19.7 km in Q1-Q3 2020 compared to 21.7 km in Q1-Q3 2019)

Total costs by type – PLN 1.432 million in Q1-Q3 2020, decrease in relation to Q1-Q3 2019 by 6.1%, i.e. PLN 92.3 million

Cash costs (net of depreciation/amortisation) – decrease by 5.4%, i.e. by approx. PLN 67 million



Taxes and charges (-14.1% y/y):

- ✓ increase in real property tax
- ✓ increase in payments to the National Fund for the Disabled
- ✓ lower value of a payment for extracting a deposit

Other costs (-20.9% y/y):

- ✓ lower costs of business travels

Depreciation / Amortisation (-8.7% y/y):

- ✓ lower value of natural depreciation / amortisation (result of smaller progress in extraction of coal yield)
- ✓ drop in depreciation of non-current assets

Materials and energy consumption (-3.6% y/y):

- ✓ smaller scope of preparatory works (19.7 km of galleries in Q1-Q3 2020 compared to 21.7 km in Q1-Q3 2019)
- ✓ lower use of materials (heading casing elements, preinsulated pipes, stirrups, conveyor belts, elements for wall complex)
- ✓ drop in electrical energy consumption with concurrent increase in its price

Entertainment and advertising costs (+0.5% y/y):

- ✓ change in the payments schedule under the agreement with Górnik Łęczna
- ✓ conclusion of new advertising agreements

Employee benefits (+1.2% y/y):

- ✓ average employment in Q1-Q3 2020 – 4,894, i.e. +81 people compared to Q1-Q3 2019
- ✓ increase in remunerations
- ✓ increase in employee benefits

Outsourced services (-13.4% y/y):

- ✓ lower costs of work performed on Saturdays and Sundays, and auxiliary works
- ✓ lower reclamation costs
- ✓ lower costs of drilling and reconstruction
- ✓ lower costs of rail coal transport

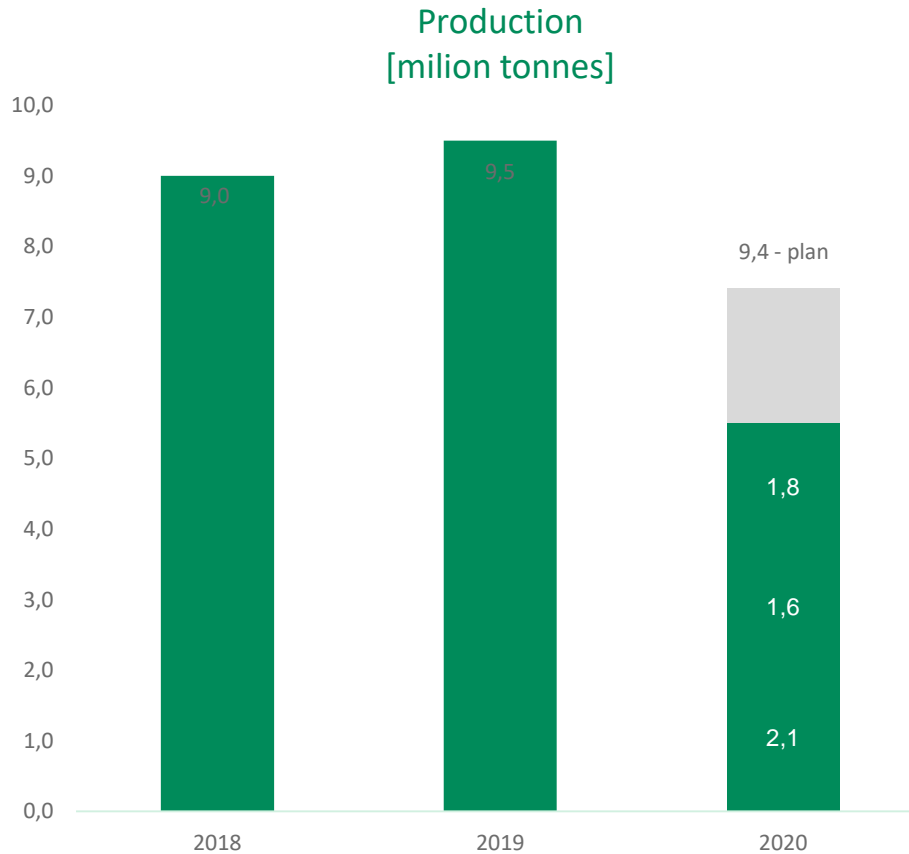


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Performance of the
plan in Q1-Q3 2020



Production in Q3 2020 – 1.8 million tonnes, update of production target for Y2020 – 7.4 million tonnes



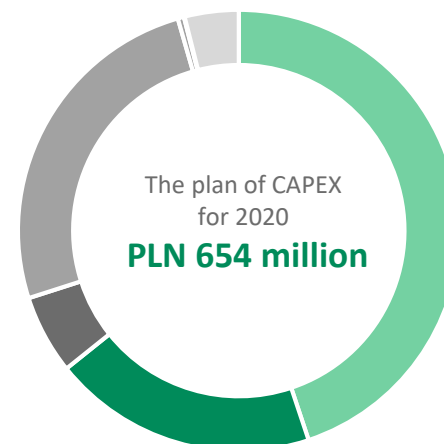
- ✓ In Q3 2020 LW Bogdanka SA produced 1.8 million tonnes of coal, and sales were at the level of 2.2 million tonnes, in Q3 2019 it was 2.3 million tonnes and 2.3 million tonnes
- ✓ In Q1-Q3 2020 LW Bogdanka SA produced over 5.5 million tonnes of coal, and sales were at the level of almost 5.7 million tonnes
- In October, due to technical and geological, and employee issues, the production plan was updated – to approx. 7.4 million tonnes.



The use of CAPEX is almost PLN 496 million in Q1-Q3 2020

Item

[PLN '000]	Plan for 2020	Realization of plan Q1-Q3 2020	Realization of plan Q1-Q3 2020[%]
New excavations and upgrades of existing ones	293,582	223,571	76.2%
Maintenance of machinery	126,775	78,044	61.6%
Obtaining new licences	350	-	0.0%
Ostrów Field	2,950	450	15.3%
Longwalls	166,750	167,115	100.2%
Other development investments	37,909	19,158	50.5%
ICT	6,705	1,315	19.6%
Administration	30	61	203.3%
Transport	95	65	68.4%
Other	5,476	2,041	37.3%
TOTAL CAPEX in LW Bogdanka SA	640,622	491,820	76.8%
Łęczyska Energetyka sp. z o.o.	10,800	3,446	31.9%
Other subsidiaries	2,739	610	22.3%
TOTAL CAPEX AT THE LW BOGDANKA GROUP	654,161	495,876	75.8%



- 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 Q1-Q3 of 2020.



- Q3 2020 saw increases in coal prices on the global market (**18.8%** compared to Q2 2020) while on the domestic market coal prices stabilised (**-2%** comparing to Q2 2020)
- In Q3 2020 the Company performed its production plan at a level of more than **1.8 million tonnes** and sales plan at a level of **2.2 million tonnes**. In total 6.6 km of galleries was made (-12.0% compared to Q3 2019)
- The Company retains a strong market position achieving, in 3Qs of 2020, 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 **27.4%**
- The Company updated its production plan for 2020 to the level of **7.4 million tonnes**
- Financial results in Q3 2020 are a consequence of decreased sales stemming from COVID-19 pandemic as well as technical and geological issues. We recorded revenue on sales amounting to **PLN 504.5 million**, while EBITDA amounted to **PLN 96.5 million**



Thank you

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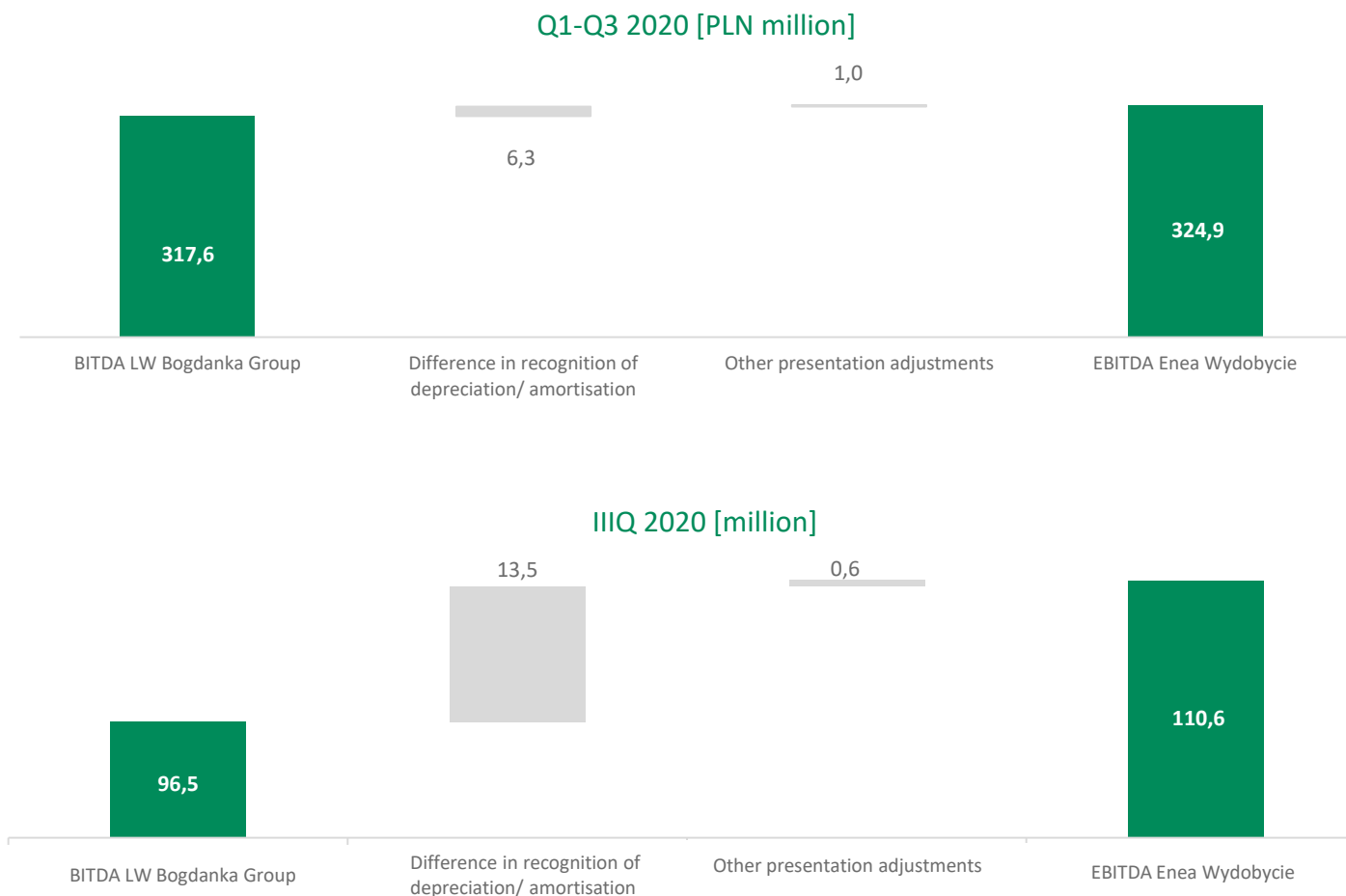


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Appendices –
Financial information



EBITDA presentation differences between the LW Bogdanka Group and Enea Wydobycie





Statement of Financial Position of LW Bogdanka Capital Group

Item [PLN '000]	31.12.2019	30.09.2020
Non-current assets, including:	3,509,780	3,727,441
Cash and cash equivalents	133,998	134,982
Current assets, including:	742,684	645,623
Cash and cash equivalents	382,740	337,656
Total assets	4,252,464	4,373,064
Current liabilities	374,162	434,445
Non-current liabilities	649,800	677,429
Total liabilities	1,023,962	1,111,874
Equity	3,228,502	3,261,190
Current borrowings	3,182	3,158



Cash flow GK LW Bogdanka

Item [PLN '000]	Q1-Q3 2019	Q1-Q3 2020
Net cash flows on operating activities	514,474	399,155
Cash inflow from operating activities	566,651	412,991
Interest received	-1,974	-1,603
Income tax paid	-50,203	-12,233
Net cash flows on investing activities	-356,766	-438,793
Acquisition of property, plant and equipment	-357,718	-438,064
Interest paid regarding investing activity	-	-
Acquisition of intangible assets	-5,520	-2,311
Inflow from the sale of property, plant and equipment	1,006	75
Interest received	2,996	2,491
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	2,471	-984
Net cash flows on financing activities	-31,051	-5,446
Bond redemption	-	-
Repayments of loans and borrowings	-2,277	-2,277
Interest and commissions paid due to financing activities	-499	-410
Payments under lease liabilities	-2,765	-2,759
Paid dividends	-25,510	-
Net decrease/increase in cash and cash equivalents	126,657	-45,084
Cash and cash equivalents at beginning of period	170,793	382,740
Cash and cash equivalents at end of period	297,450	337,656



Sales structure at LW Bogdanka Capital Group

Item [PLN '000]	Q3 2019	Share [%]	Q3 2020	Share [%]
Coal sales	518,050	98.2%	493,996	97.9%
Other activities	6,004	1.1%	7,195	1.4%
Sales of merchandise and materials	3,722	0.7%	3,331	0.7%
Total revenue	527,776	100.0%	504,522	100.0%



Provisions at the LW Bogdanka SA

Balance-sheet provisons [PLN '000]	As at 30.09.2019	As at 31.12.2019	As at 30.09.2020	Change Q3 2020/Q3 2019	Change Q3 2020/ 31.12.2019
Employee provisions	174,616	191,965	207,307	18.7%	8.0%
Liabilities under local property tax	19,250	10,306	10,761	-44.1%	4.4%
Mine decommissioning and land reclamation provision	138,791	171,635	193,689	39.6%	12.8%
Mining damage	2,498	2,149	1,243	-50.2%	-42.2%
Other	12,420	12,237	12,326	-0.8%	0.7%
Total	347,575	388,292	425,326	22.4%	9.5%

The total provisions as at 30 September 2020 amounted to PLN 425,326,000, which means an increase by 9.5% compared to the value as at 31 December 2019.

Change in provisions [PLN '000]	Change Q3 2019	Change Q3 2020	Change Q3 2020/Q3 2019	Change in Q1-Q3 2019	Change in Q1-Q3 2020	Change 2020/2019
Employee provisions	794	-3,670	-562.2%	9,460	15,342	62.2%
Liabilities under local property tax	-26,797	153	-100.6%	-22,181	455	-102.1%
Mine decommissioning and land reclamation provision	379	-694	-283.1%	14,584	2,054	51.2%
Mining damage	-458	-783	71.0%	-686	-906	32.1%
Accident insurance premium (ZUS)	-	-	-	-22,658	-	-100.0%
Other	266	-1,009	-479.3%	537	89	-83.4%
Total	-25,816	-6,003	-76.7%	-20,944	37,034	-276.8%



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Thank you for your
attention