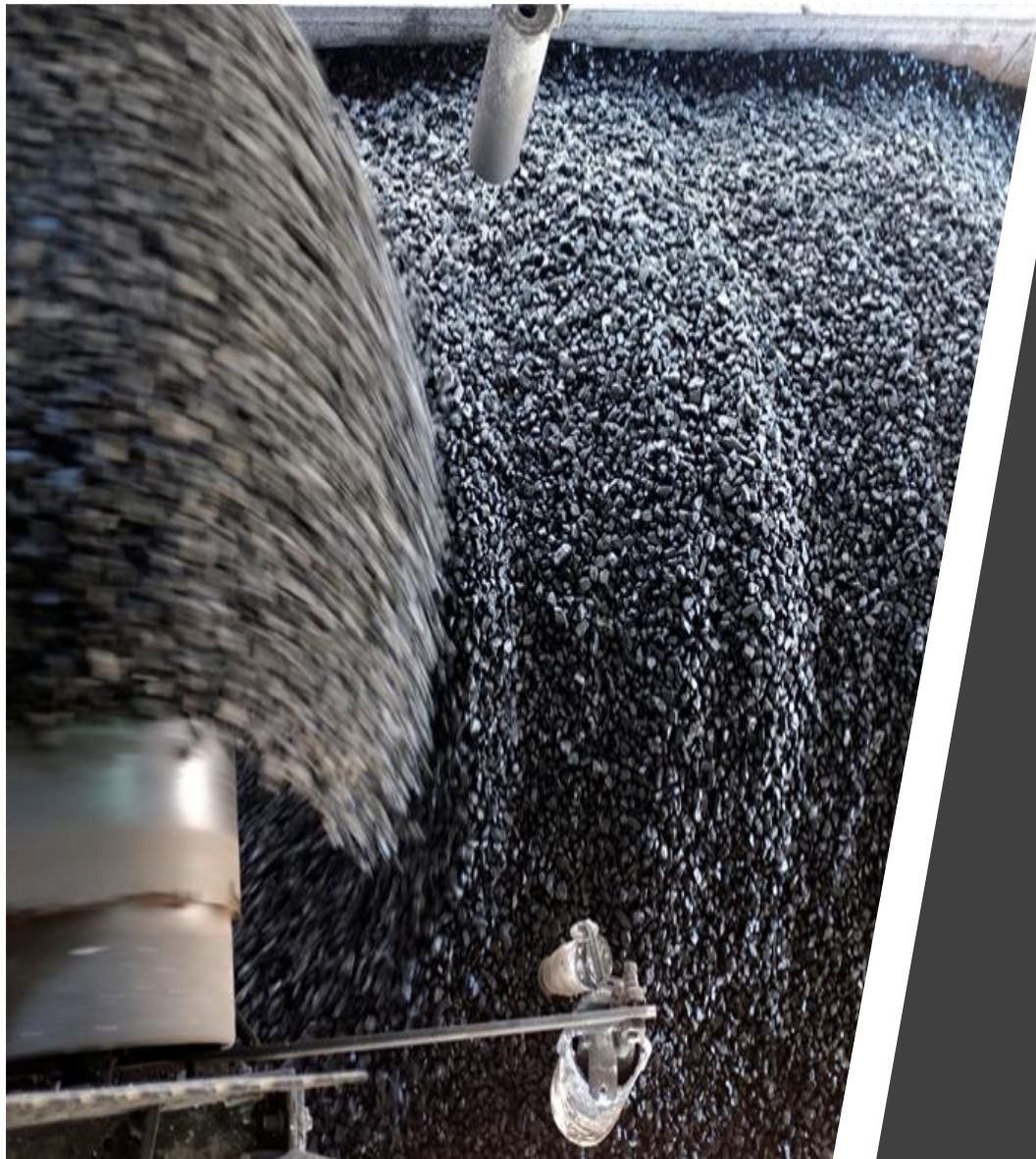




2020

Presentation of results
the LW Bogdanka Group
Q4 2020, 2020

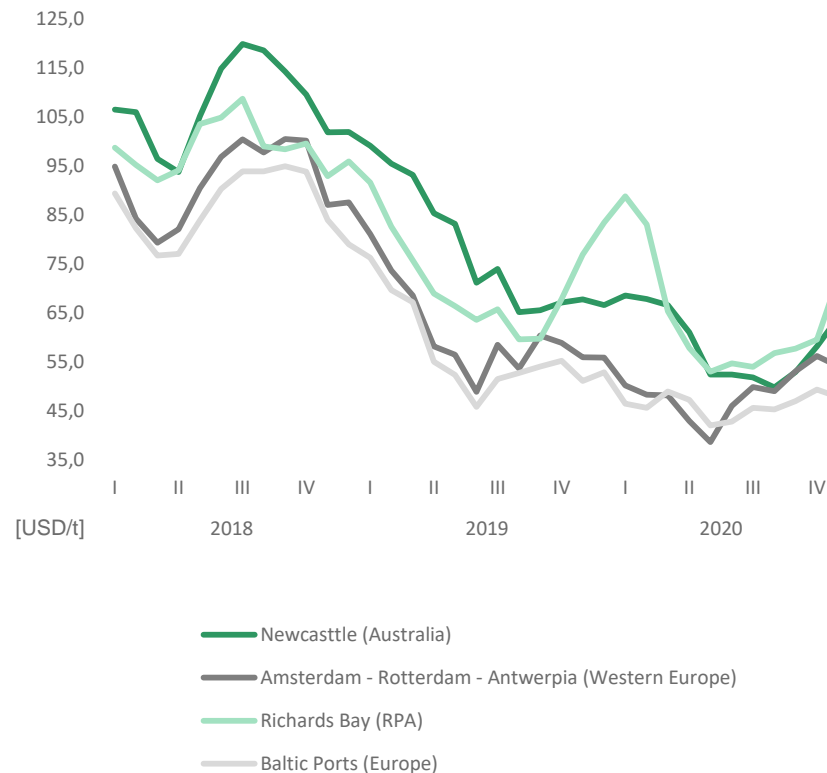
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1

Situation on the coal market
and key operating data

Increase of coal prices on the global market in Q4 2020 compared to Q3 2020



CIF ARA coal prices

- ✓ USD 59.0/tonne - the average coal price (CIF ARA) in Q4 2020, i.e. +3.7% (compared to USD 56.9/tonne in Q4 2019)
- ✓ comparing to the average coal price (CIF ARA) in Q3 2020, (USD 50.6/tonne), it's an increase by 16.0%
- ✓ average price in 2020 was USD 50.3/tonne, down by 17.3% y/y

Inventories in ARA ports

- ✓ 4.3 million tonnes of coal inventories at the end of December 2020 in ARA ports – as at the end of September 2020 the level was 5.9 million tonnes.

Prices in the world's main ports

- ✓ The average coal price FOB Baltic Ports in Q4 2020 amounted to USD 51.6/tonne, i.e. -2.8% (USD 53.1/tonne) compared to Q4 2019
- ✓ comparing to the average price in Q3 2020, (USD 46.0/tonne), it's an increase by 12.2%
- ✓ average price in 2020 was USD 47.2/tonne, i.e. down by 17.2% y/y (USD 57.0/tonne)

Coal production in China in 2020 at the level of previous year and decrease of coal production in Russia by 9% in 2020 vs. 2019



1. China:

- ✓ approx. 3.6 billion tonnes of coal were produced in 2020, which was similar to 2019
- ✓ imports in 2020 were 304.0 million tonnes and were higher by approx. 1.4% compared to 2019 (299.7 million tonnes)

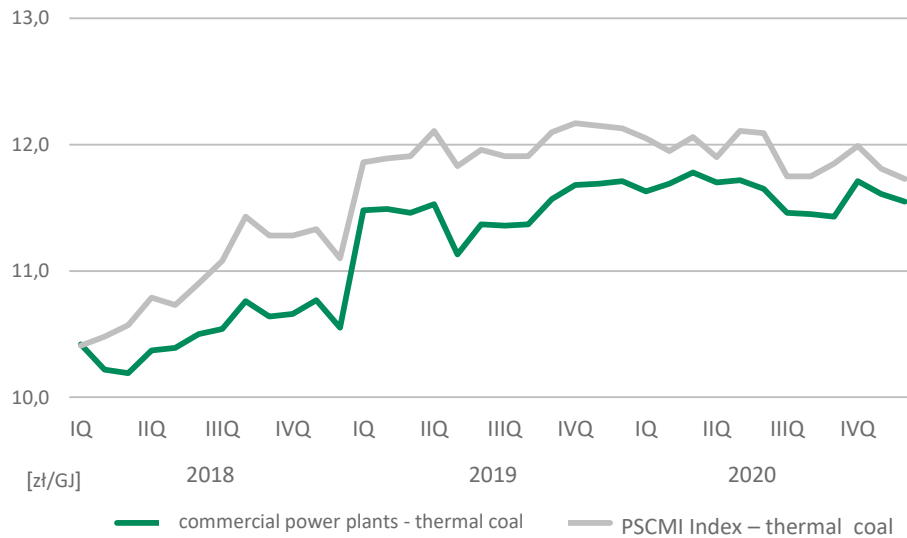
2. USA:

- ✓ production in 2020 – 489.1 million tonnes, -21.9% compared to 2019 (626.1 million tonnes)
- ✓ consumption in 2020 amounted to 432.1 million tonnes, -20.1% comparing to 2019 (541.0 million tonnes)
- ✓ exports in 2020 – 62.1 million tonnes of hard coal, -27.4% y/y

3. Rosja:

- ✓ production in 2020 – 401.0 million tonnes, -9.0% y/y compared to 2019 (440.7 million tonnes)
- ✓ exports in 2020 – 193 million tonnes, similarly as in 2019 (192 million tonnes)

Stabilization of thermal coal prices sold to commercial power plants on the domestic market in 2020



Thermal coal prices:

- ✓ in Q4 2020, the average annual price of fine thermal coal for commercial power plants was PLN 11.62 per GJ, the price drops dynamics was ca. 0.6% y/y
- ✓ in 2020 (PLN 11.62 per GJ) – up by 1.1% compared to 2019 (PLN 11.49 per GJ)
- ✓ average heating value of fine coal for commercial power plants was about 21.6 GJ

Prices based on the PSCMI index:

- ✓ in Q4 2020 the average price based on the PSCMI index was approx. PLN 11.84 per GJ, which compared to average price in Q4 2019 (PLN 12.15 per GJ) represents a decrease by approx. 2.6%
- ✓ in 2020 the price stood at the level of PLN 11.92 per GJ, PLN 11.99 per GJ in 2019, down by 0.6%

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

PERFORMANCE OF POLISH COMPANIES*:

	Q4 2019	Q4 2020	Change	2019	2020	Change
Extraction of thermal coal in domestic coal market (million tonnes)	12.2	10.7	-12.3%	47.7	40.1	-15.9%
Sales of thermal coal in domestic coal market (million tonnes)	11.7	11.3	-3.4%	44.2	38.1	-13.8%
Average cost of coal sold (PLN)	358.5	349.3	-10.0%	348.4	374.4	7.5%

COAL PRICES:

Average price of power coal (PLN)	280.5	274.9	-2.0%	282.6	281.8	-0.3%
Average price of coal sold to commercial power industry (PLN)	248.2	248.3	0.0%	242.9	249.2	2.6%

DEMAND/SUPPLY:

Production of electric power in commercial power plants with the use of hard coal (GWh)**	19,583	20,104	2.7%	78,90	71,546	-8.5%
Inventories of coal in mines (million tonnes)***	3.8	4.6	21.1%	3.8	4.6	21.1%

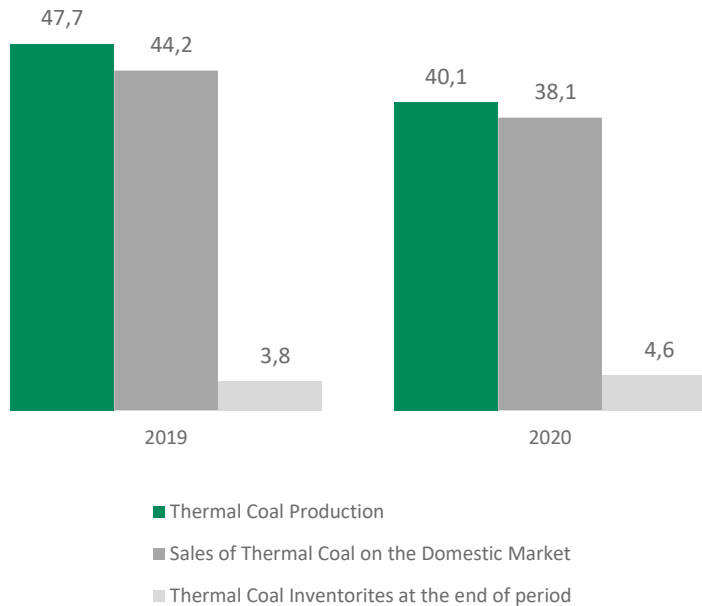
*PSE SA

**data do not include Silesia, Siltech, Ekoplus

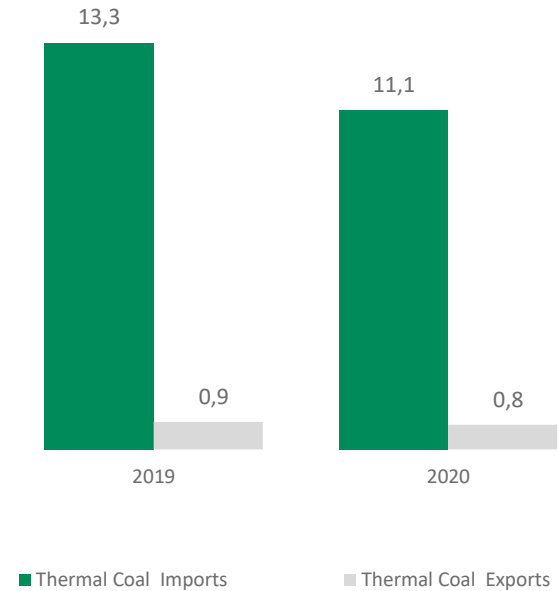
Source: ARP, PSE SA

Drop in production and sales of thermal coal in Polish mines with an increase in inventories, imports at 11.1 million tons

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



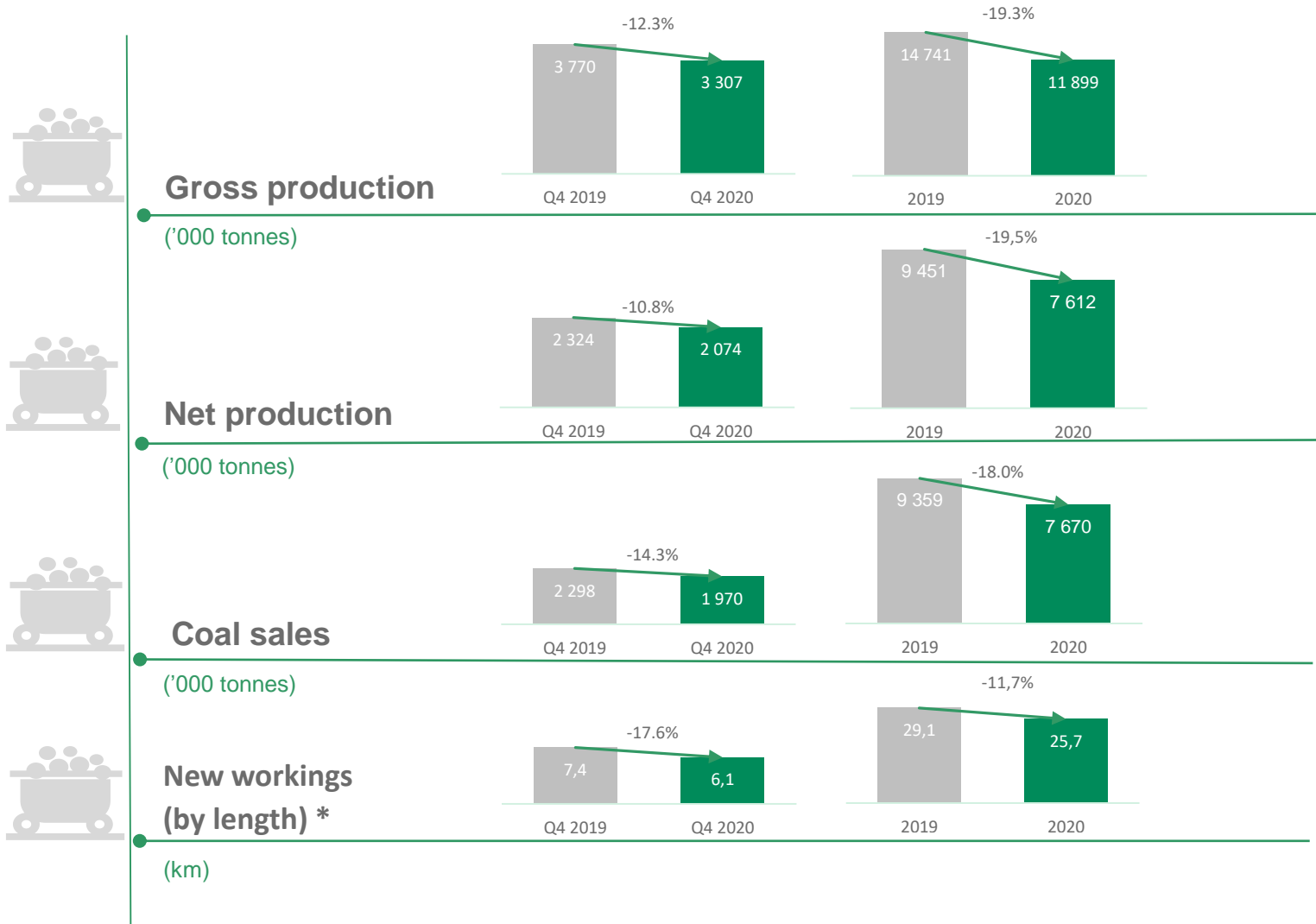
Thermal coal imports and exports [million tonnes]*



*data do not include Silesia, Siltech, Ekoplus

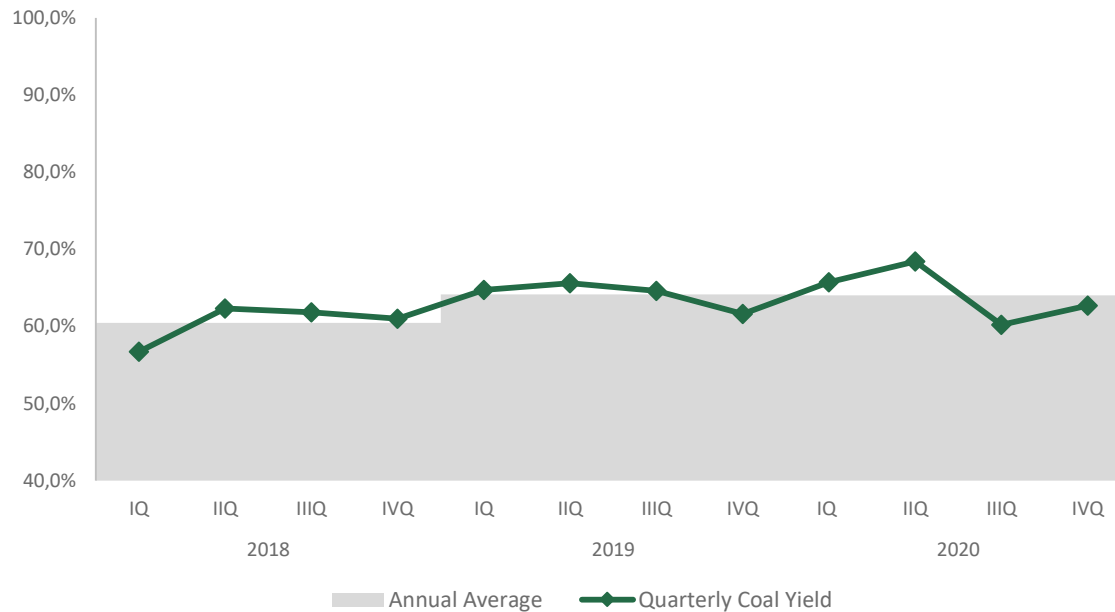
Source: ARP

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



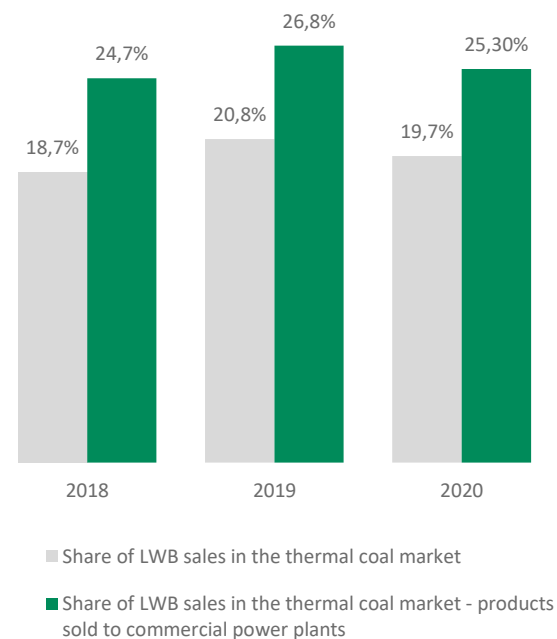
*Length of excavations made includes reconstruction works

Coal yield at a level of 64.0% in 2020



- ✓ coal yield in Q4 2020 was about 62.7% and was higher than in Q4 2019 (61,6%) and higher than in Q3 2020 (60.2%)
- ✓ average yield in 2020 was 64.0% compared to 64.1% in 2019
- ✓ in Q4 2020 36.9% of raw coal was obtained from low walls and 63.1% high walls. In the same period of 2019 this ratio was 68.4% compared to 31.6%.
- ✓ in 2020 43,7% of raw coal was obtained from low walls and 56.3% from high walls. In the same period of 2019 this ratio was 68.4% to 31,6%
- ✓ production in 2020 was conducted on 294 days, compared to 302 days in the same period 2019

We keep a strong position on the coal market – 25,3% of share in sales to commercial power plants





2

Financial highlights of
the LW Bogdanka
Group in Q4 2020, 2020

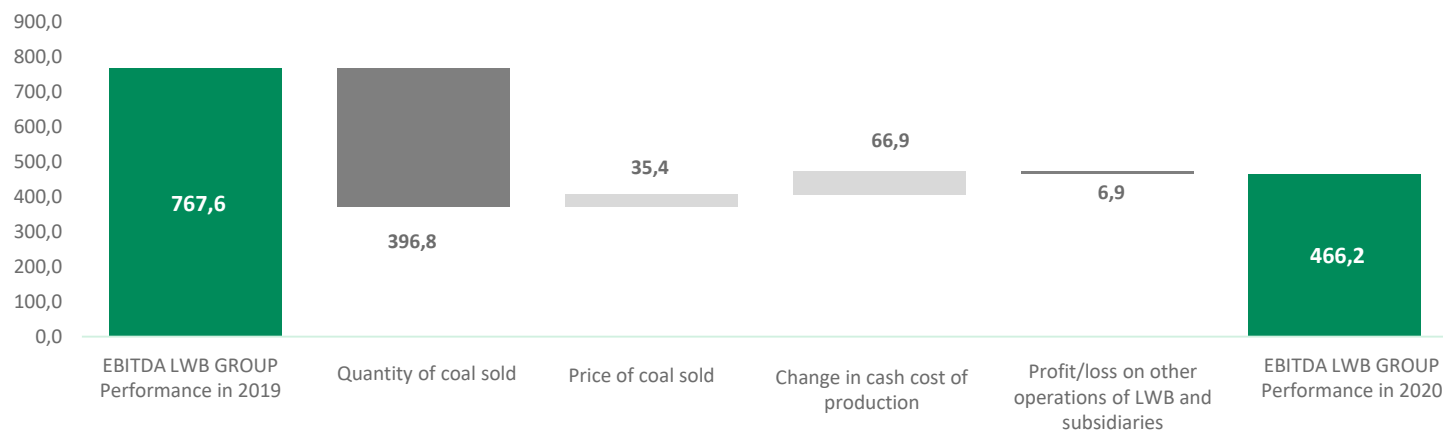
LW Bogdanka's operating results were driven by a temporary deterioration in the market and technical and geological difficulties

Item	Unit	Q4 2019	Q4 2020	Change	2019	2020	Change
Technical and operating data							
Gross production	'000 tonnes	3,770	3,307	-12.3%	14,741	11,899	-19,3%
Net production	'000 tonnes	2,324	2,074	-10.8%	9,451	7,612	-19,5%
Coal yield	%	61.6%	62.7%	1.8%	64.1%	64.0%	-0,2%
Coal sales	'000 tonnes	2,298	1,970	-14.3%	9,359	7,670	-18,0%
Inventories (end of period)	'000 tonnes	179	122	-31.8%	179	122	-31,8%
New workings (by length)*	km	7.4	6.1	-17.6%	29.1	25.7	-11,7%
Financial data							
Revenue	PLN' 000	531,749	468,579	-11.9%	2,157,861	1,822,112	-15.6%
EBITDA	PLN' 000	156,246	148,519	-4.9%	767,592	466,167	-39.3%
EBIT	PLN' 000	55,543	44,499	-19.9%	375,222	95,241	-74.6%
Net profit	PLN' 000	44,792	38,123	-14.9%	308,746	72,962	-76.4%

*Length of excavations made includes reconstruction works

Drop in EBITDA in 2020 compared to 2019

Factors influencing EBITDA
[PLN million]



2020

Factors influencing EBITDA:

(-) EBITDA margin for 2020 was 25.6% compared to 35.6% for 2019

(-) decrease in revenue on sales of coal: lower quantitative sales

(-1,689,000 tonnes, -18.0%)

(+) higher price of coal

(+) extraction lower by 2,842,000 tonnes (-19.3%) – decrease in production cost

(+) increased number of employees who took advantage of benefits introduced by virtue

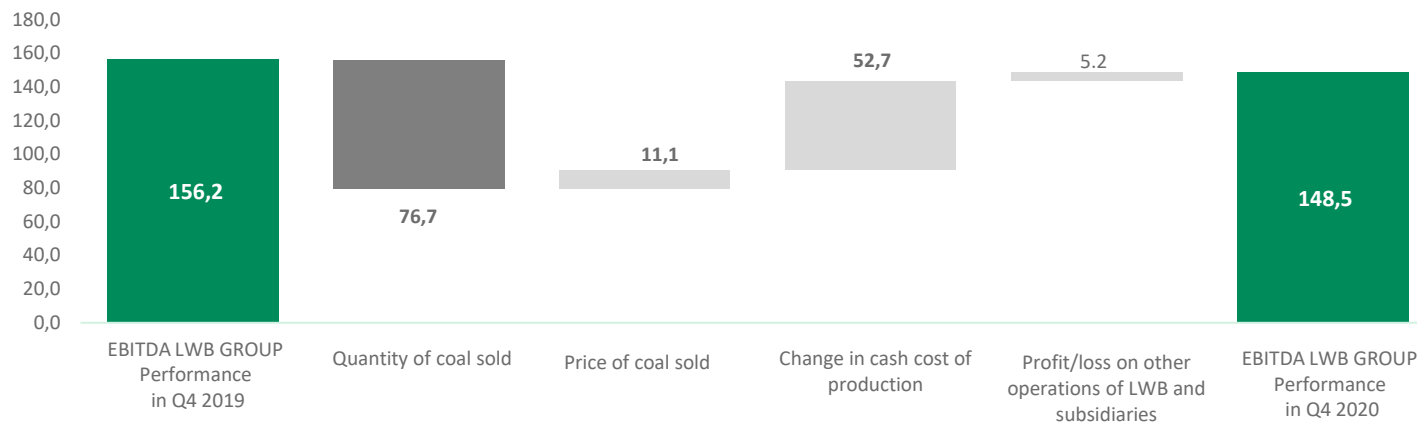
of provisions regarding the anti-crisis shield in relation to the pandemic (decrease in charges on the part of LWB)

(+) savings on material cost (lower use due to lower extraction)

(+) lower cost of outsourced services (restriction of outsourced works and increase in own works performed by own resources, limitation of basic works done on non-working days)

Drop in EBITDA in Q4 2020 compared to Q4 2019

Factors influencing EBITDA [PLN million]



Q4 2020

Factors influencing EBITDA:

(+) EBITDA margin – 31.7% in Q4 2020 comparing to 29.4% in Q4 2019

(-) decrease in revenue on sales of coal: lower quantitative sales

(-327,000 tonnes, -14.25%)

(+) higher price

(+) extraction lower by 462,600 tonnes (-12.3%) – decrease in production cost

(+) increased number of employees who took advantage of benefits introduced by virtue of provisions regarding the anti-crisis shield in relation to the pandemic (decrease of charges on the part of LWB)

(+) decrease in cost of materials (lower use due to lower extraction)

(+) lower cost of outsourced services (restriction of outsourced works and increase in own works performed by own resources, limitation of basic works done on non-working days)

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

Item [PLN '000]	Q4 2019	Q4 2020	Change	2019	2020	Change
Revenue	531,749	468,579	-11.9%	2,157,861	1,822,112	-15.6%
Costs of products, goods and materials sold, selling and administrative expenses	477,675	420,787	-11.9%	1,799,446	1,725,393	-4.1%
Profit on sales	54,074	47,792	-11.6%	358,415	96,719	-73.0%
Gross sales margin	10.2%	10.2%	0.0 p.p	16.6%	5.3%	-11.3 p.p
Other income	1,981	4,624	133.4%	5,267	7,737	46.9%
Other costs	499	532	6.6%	1,212	1,894	56.3%
Net operating profit	55,556	51,884	-6.6%	362,470	102,562	-71.7%
Other net losses	-13	-7,385	-	12,752	-7,321	-
Operating profit (EBIT)	55,543	44,499	-19.9%	375,222	95,241	-74.6%
EBIT margin	10.4%	9.5%	-0.9 p.p	17.4%	5.2%	-12.2 p.p
EBITDA	156,246	148,519	-4.9%	767,592	466,167	-39.3%
EBITDA margin	29.4%	31.7%	2.3 p.p	35.6%	25.6%	-10.0 p.p
Finance income	3,927	4,973	26.6%	14,733	7,537	-48.8%
Finance costs	3,410	1,869	-45.2%	11,379	9,588	-15.7%
Profit before taxation	56,060	47,603	-15.1%	378,576	93,190	-75.4%
Pre-tax profit margin	10.5%	10.2%	-0.3 p.p	17.5%	5.1%	-12.4 p.p
Income tax	11,268	9,480	-15.9%	69,830	20,228	-71.0%
Net profit for the financial year	44,792	38,123	-14.9%	308,746	72,962	-76.4%
Net sales margin	8.4%	8.1%	-0.3 p.p	14.3%	4.0%	-10.3 p.p

Decrease in cost by nature of in 2020 by 5.4% was due to lower production

Item [PLN '000]	Q4 2019	Q4 2020	Change	2019	2020	Change
Net production ['000 tonnes]	2,324	2,074	-10.8%	9,451	7,612	-19.5%
Coal sales ['000 tonnes]	2,298	1,970	-14.3%	9,359	7,670	-18.0%
Depreciation and amortization	98,427	94,409	-4.1%	382,865	353,990	-7.5%
Materials and energy	135,182	134,967	-0.2%	515,706	501,940	-2.7%
External services	130,679	122,914	-5.9%	522,308	462,016	-11.5%
Employee cost and benefits	231,522	229,712	-0.8%	648,858	651,888	0.5%
Entertainment and advertising	1,576	1,344	-14.7%	8,003	7,804	-2.5%
Taxes and charges	7,099	17,370	144.7%	48,325	52,802	9.3%
Other expenses	20,020	606	-97.0%	22,281	2,394	-89.3%
Cost by nature	624,505	601,322	-3.7%	2,148,346	2,032,834	-5.4%
Cost of activities for the Company's own needs	-81,911	-60,439	-26.2%	-307,294	-279,952	-8.9%
Accruals and deferrals	-75,615	-76,141	0.7%	-9,031	1,104	-112.2%
Value of coal obtained from excavations	-15,965	-14,361	-10.0%	-81,848	-55,071	-32.7%
Provisions and other presentation adjustments between costs by type and by function	26,537	-11,398	-143.0%	49,268	9,850	-80.0%
Total production costs	477,551	438,983	-8.1%	1,799,441	1,708,765	-5.0%
Change in product inventories	-4,889	-21,436	338.5%	-15,330	6,324	-141.3%
Value of goods and materials sold	3,434	2,556	-25.6%	17,205	11,888	-30.9%
Own cost of production sold, including:	476,096	420,103	-11.8%	1,801,316	1,726,977	-4.1%
Costs of products, goods and materials sold	433,614	382,928	-11.7%	1,647,132	1,574,215	-4.4%
Selling costs	9,702	7,428	-23.4%	37,988	31,886	-16.1%
Administrative costs	32,780	29,747	-9.3%	116,196	120,876	4.0%

Decrease in costs by type by 5.4% caused by lower production

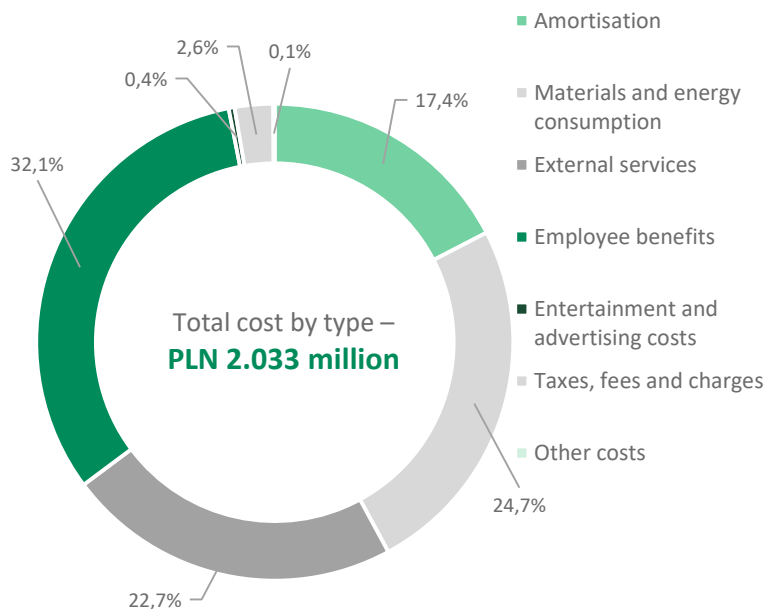
Gross extraction – down by 19.3%, i.e. 2,842,000 tonnes

Net extraction – down by 19.5%, i.e. by 1,839,000 tonnes

New excavations – down by 11.7% (25.7 km in 2020 compared to 29.1 km in 2019)

Total costs by type – PLN 2.033 million in 2020, decrease in relation to 2019 by 5.4%, i.e. PLN 115.5 million

Cash costs (net of depreciation/amortisation) – decrease by 4.9%, i.e. by approx. PLN 87 million



Source: own data

Taxes and charges (+9.3% y/y):

- ✓ increase in real property tax

Other costs (-89.3% 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 (-7.5% y/y):

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

Materials and energy consumption

(-2.7% y/y):

- ✓ lower use of heading casing elements, preinsulated pipes, conveyor belts and coal cutting machines parts
- ✓ 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) but its price grew

Entertainment and advertising costs (-2.5% y/y):

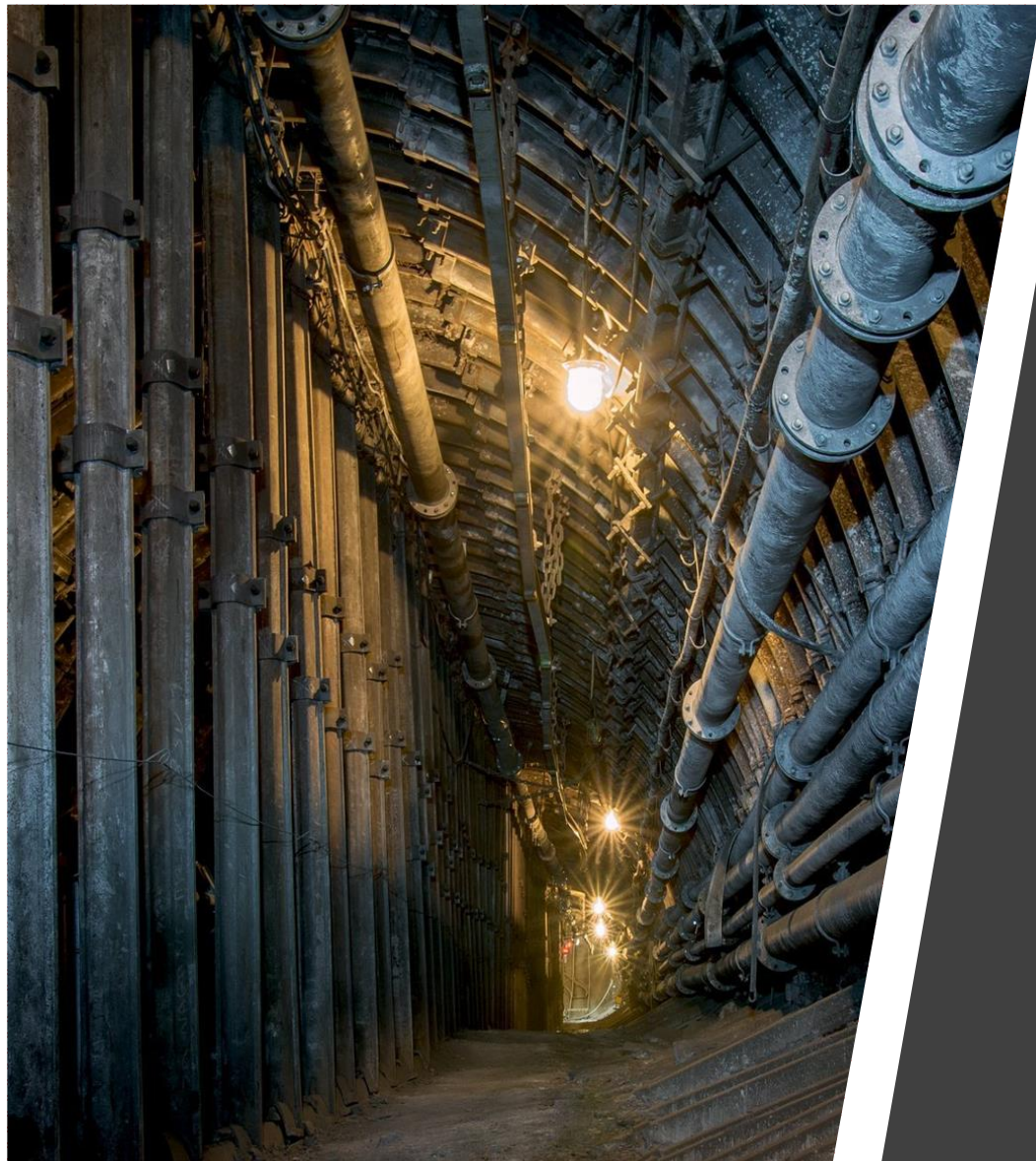
- ✓ lower expenditure for advertising

Employee benefits (+0.5% y/y):

- ✓ average employment in 2020 – 4,899, i.e. +68 people compared to 2019
- ✓ increase in remunerations and overheads, as well as increase in average employment
- ✓ introduction of employee retirement plans (*Pracowniczy Plan Emerytalny*)

Outsourced services (-11.5% y/y):

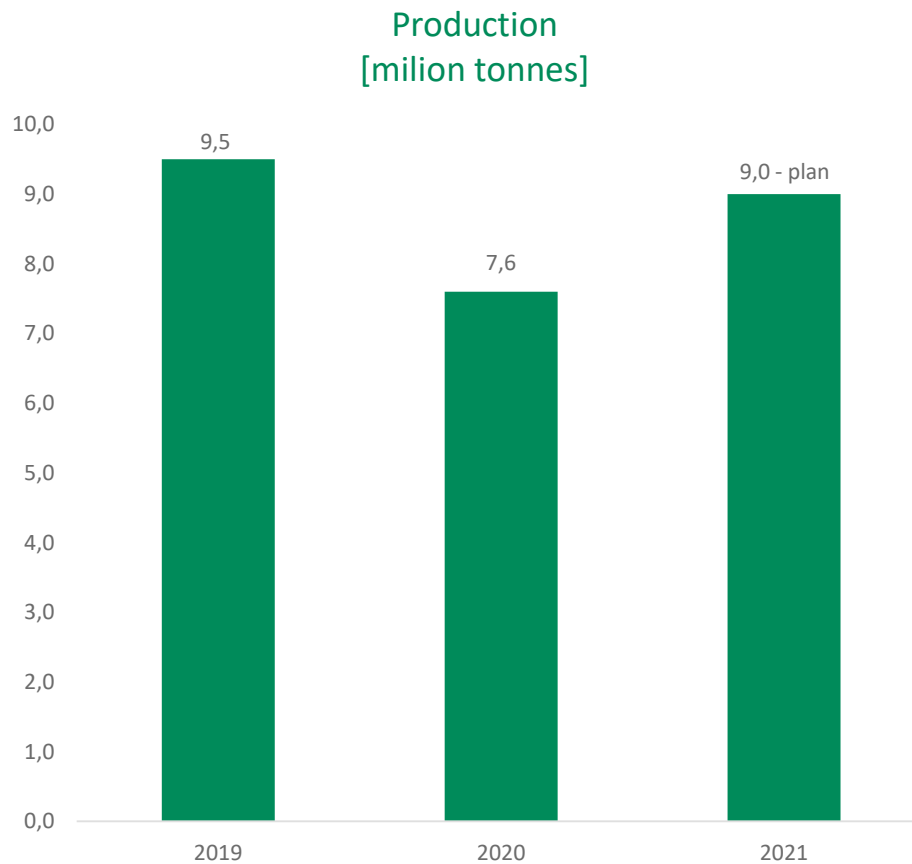
- ✓ lower costs of drilling and reconstruction
- ✓ higher costs of work performed on Saturdays and Sundays, auxiliary works
- ✓ lower costs of waste management
- ✓ lower level of services related to land reclamation



3

Performance of the
plan in Q4 2020, 2020
and plan for 2021

Production target for 2021 r. – 9,0 milion tonnes



- ✓ In Q4 2020 LW Bogdanka SA produced 2.1 million tonnes of coal, and sales were at the level of 2.0 million tonnes, in Q4 2019 it was 2.3 milion tonnes and 2.3 milion tonnes
- ✓ In 2020 LW Bogdanka SA produced over 7.6 million tonnes of coal, and sales were at the level of almost 7.7 milion tonnes

The use of CAPEX in 2020 – in accordance with the Strategy is almost PLN 614 million

Item [PLN '000]	Realization of plan 2020	Realization of plan 2020 [%]	Plan for 2021 r.
New excavations and upgrades of existing ones	285 328	97,2%	297 846
Maintenance of machinery	117 627	92,8%	83 389
Obtaining new licences	0	0,0%	3 150
Ostrów Field	450	15,3%	-
Longwalls	167 115	100,2%	118 500
Other development investments	27 595	72,8%	62 696
ICT	2 592	38,7%	17 034
Administration	61	203,3%	50
Transport	334	351,6%	140
Other	5 557	101,5%	7 301
TOTAL CAPEX in LW Bogdanka SA	606 659	94,7%	590 106
Łęczyńska Energetyka sp. z o.o.	5 455	50,5%	5 262
Other subsidiaries	1 637	59,8%	2 323
TOTAL CAPEX AT THE LW BOGDANKA GROUP	613 751	93,8%	597 691



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

Performance of the plan for Q4 2020 and 2020, and the plan for 2021.

- 2020 saw decreases in coal prices on the global market (**-17.3%** compared to 2019) while on the domestic market coal prices grew (**+1.1%** comparing to 2019).
- In 2020 the Company performed its production plan at a level of more than **7.6 million tonnes** and sales plan at a level of **7.7 million tonnes**. In total 25.7 km of galleries was made (**-11.7%** compared to 2019).
- The Company retains a strong market position achieving, in 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%**
- Financial results in 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 1.8 billion**, while EBITDA amounted to **PLN 466.2 million**, operating profit reached **PLN 102.6 million**, net profit was **PLN 73.0 million**
- In 2021 the Company adopted its production plan at a level of **9.04 million tonnes** and investment plan at the level of **597.7 million tonnes**

Thank you

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4

Appendices – Financial
information

Statement of Financial Position of LW Bogdanka Capital Group

Item [PLN '000]	31.12.2019	31.12.2020
Non-current assets, including:	3,509,780	3,763,945
Cash and cash equivalents	133,998	141,591
Current assets, including:	742,684	611,318
Cash and cash equivalents	382,740	241,610
Total assets	4,252,464	4,375,263
Current liabilities	374,162	360,386
Non-current liabilities	649,800	715,050
Total liabilities	1,023,962	1,075,436
Equity	3,228,502	3,299,827
Current borrowings	3,182	3,150

Cash flow GK LW Bogdanka

Item [PLN '000]	2019	2020
Net cash flows on operating activities	720,977	476,960
Cash inflow from operating activities	781,694	489,943
Income tax paid	-60,717	-12,983
Net cash flows on investing activities	-476,533	-611,029
Acquisition of property, plant and equipment	-468,932	-603,476
Interest paid regarding investing activity	-	-
Acquisition of intangible assets	-8,210	-2,654
Inflow from the sale of property, plant and equipment	1,025	136
Interest received	5,236	2,557
Expenditure on other current investments	-68	-
Proceeds from current investments	135	-
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	-5,719	-7,592
Net cash flows on financing activities	-32,497	-7,061
Bond redemption	-	-
Payments under lease liabilities	-3,415	-3,494
Repayments of loans and borrowings	-3,036	-3,036
Interest and commissions paid due to financing activities	-651	-531
Received budgetary contributions	115	-
Dividends paid	-25,510	-
Net decrease/increase in cash and cash equivalents	211,947	-141,130
Cash and cash equivalents at beginning of period	170,793	382,740
Cash and cash equivalents at end of period	382,740	241,610

Sales structure at LW Bogdanka Capital Group

Item [PLN '000]	Q4 2019	Share [%]	Q4 2020	Share [%]
Coal sales	519,255	97.6%	455,357	97.2%
Other activities	8,842	1.7%	10,318	2.2%
Sales of merchandise and materials	3,652	0.7%	2,904	0.6%
Total revenue	531,749	100.0%	468,579	100.0%

Provisions at the LW Bogdanka SA

Balance-sheet provisions

[PLN '000]	As at 31.12.2019	As at 31.12.2020	Change 2020/2019
Employee provisions	187,230	209,580	11.9%
Liabilities under local property tax	10,306	0	-100.0%
Mine decommissioning and land reclamation provision	171,635	212,456	23.8%
Mining damage	2,149	2,579	20.0%
Accident insurance premium (ZUS)	-	-	-
Other	12,208	4,487	-63.2%
Total	383,528	429,102	11.9%

The total provisions as at 31 December 2020 amounted to PLN 429,102,000, which means an increase by 11.9% compared to the value as at 31 December 2019.

Change in provisions

[PLN '000]	Change Q4 2019	Change Q4 2020	Change Q4 2020/ Q4 2019	Change in 2019	Change in 2020	Change 2020/2019
Employee provisions	18,040	9,724	-46.1%	25,495	22,350	-12.3%
Liabilities under local property tax	-8,944	-10,761	20.3%	-31,125	-10,306	-66.9%
Mine decommissioning and land reclamation provision	32,844	18,767	-42.9%	47,428	40,821	-13.9%
Mining damage	-349	1,336	-482.8%	-1,035	430	-141.5%
Accident insurance premium (ZUS)	-	-	-	-22,658	0	-100.0%
Other	-118	-7,555	6 302.5%	350	-7,721	-
Total	41,473	11,511	-72.2%	18,455	45,574	146.9%

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