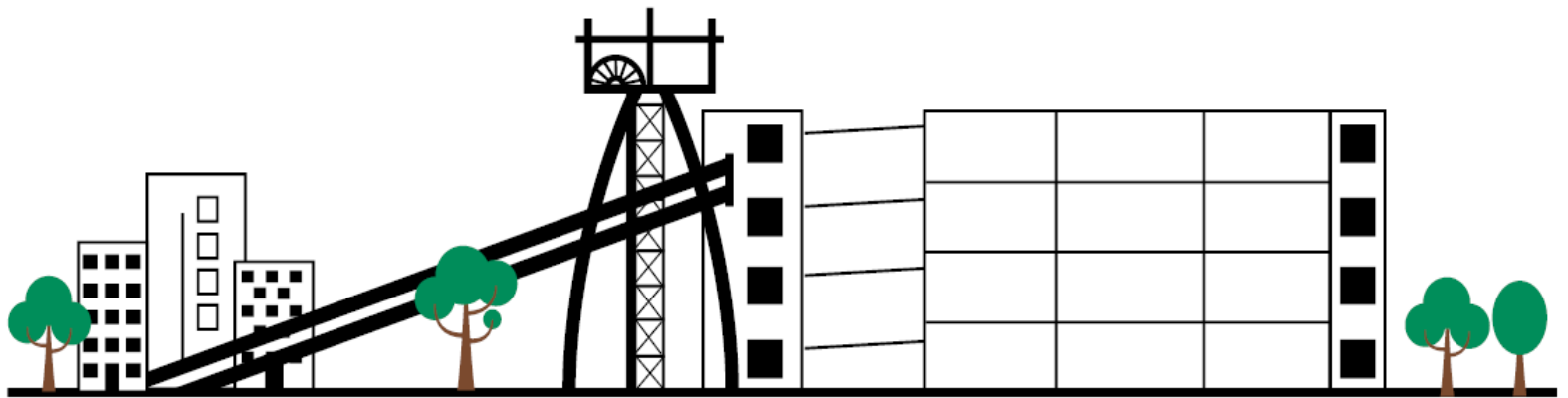


# Presentation of results the LW Bogdanka Group Q1 2021





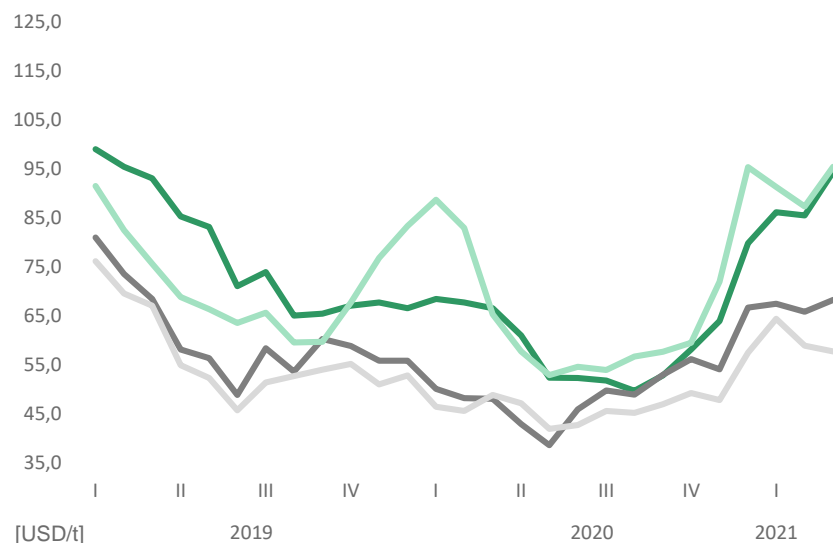
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# 1

Situation on the coal market  
and key operating data

## Increase of coal prices on the global market in Q1 2021 vs. Q1 2020 by 37.5%



- Newcastle (Australia)
- Amsterdam - Rotterdam - Antwerpia (Europa Zachodnia)
- Richards Bay (RPA)
- Baltic Ports (Europe)

### CIF ARA coal prices:

- ✓ USD 67.2/tonne - the average coal price (CIF ARA) in Q1 2021, i.e. +37.5% (compared to USD 48.9/tonne in Q1 2020)
- ✓ comparing to the average coal price (CIF ARA) in Q4 2020, (USD 59.0/tonne), it's an increase by 13.9%

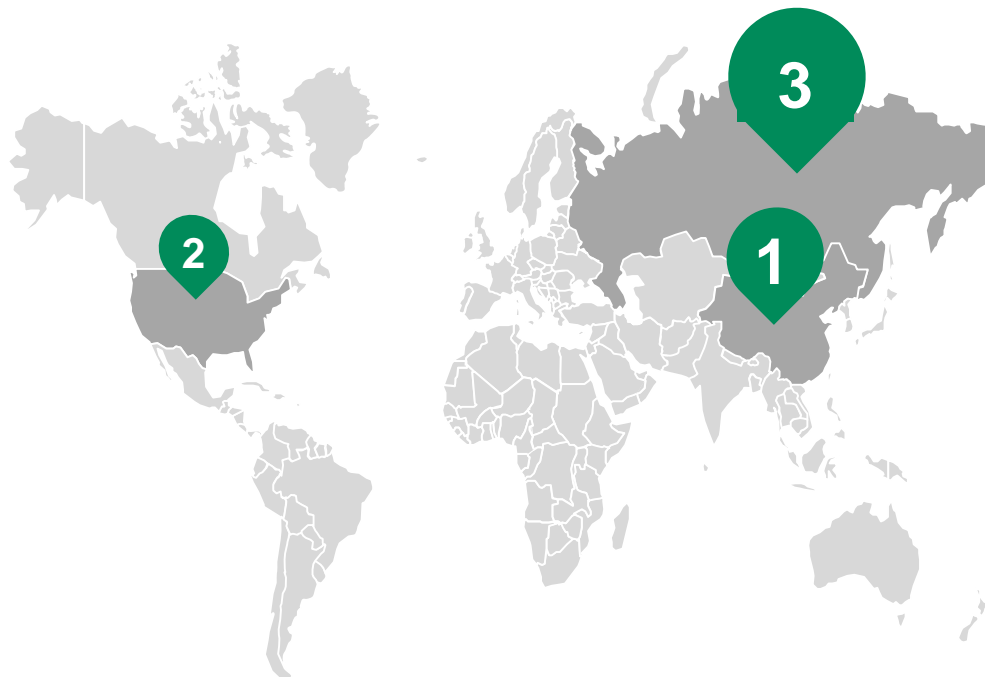
### Inventories in ARA ports:

- ✓ 3.6 million tonnes of coal inventories at the end of March 2021 in ARA ports – as at the end of December 2020 the level was 4.3 million tonnes

### FOB BP coal prices:

- ✓ The average coal price FOB Baltic Ports in Q1 2021 amounted to USD 60.4/tonne, i.e. +28.5% (USD 47.0/tonne) compared to Q1 2020
- ✓ comparing to the average price in Q4 2020, (USD 51.6/tonne), it's an increase by 17.1%

## Increase of coal production in China in Q1 2021



### 1. China:

- ✓ approx. 970.6 million tonnes of coal were produced in Q1 2021, +17% compared to Q1 2020 (829.9 million tonnes)
- ✓ imports in Q1 2021 were 68.5 million tonnes – a decrease by approx. 28.5% compared to Q1 2020 (95.8 million tonnes)

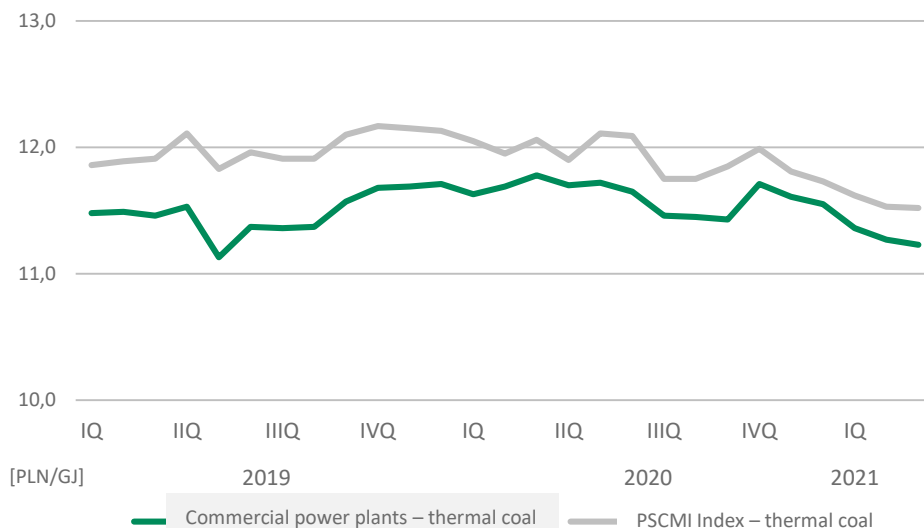
### 2. USA:

- ✓ production in Q1 2021 – 125.9 million tonnes, -7.4% compared to Q1 2020 (136 million tonnes)
- ✓ consumption in Q1 2021 was 125.2 million tonnes, 16.5% compared to Q1 2020 (107.5 million tonnes)
- ✓ exports of hard coal in Q1 2021 were 18.8 million tonnes, up by 5.0% y/y (17.9 million tonnes)

### 3. Russia:

- ✓ production in Q1 2021 was 108.0 million tonnes, up by 23.9% y/y (87.2 million tonnes in Q1 2020)
- ✓ exports in Q1 2021 were 47.6 million tonnes, up by 28.6% y/y (37 million tonnes)

## Decrease of thermal coal prices



### Thermal coal prices:

- ✓ in Q1 2021, the average annual price of thermal coal for commercial power plants was PLN 11.29 per GJ, the price drops dynamics was ca. 3.5% y/y
- ✓ average heating value of fine coal for commercial power plants was about 21.5 GJ

### Prices based on the PSCMI index

- ✓ in Q1 2021 the average price based on the PSCMI index was approx. PLN 11.56 per GJ, which compared to average price in Q1 2020 (PLN 12.02 per GJ) represents a decrease by approx. 3.8%

## Decrease in extraction and increase in sales of thermal coal market in Poland in Q1 2021 vs. Q1 2020

### PERFORMANCE OF POLISH COMPANIES\*\*:

	Q1 2020	Q1 2021	Change
Extraction of thermal coal in domestic coal market (million tonnes)	11.1	10.7	-3.6%
Sales of thermal coal in domestic coal market (million tonnes)	9.2	10.3	12.0%
Average cost of coal sold (PLN)	357.2	342.7	-4.1%

### COAL PRICES:

Average price of power coal (PLN)	282.5	273.6	-3.2%
Average price of coal sold to commercial power industry (PLN)	250.3	241.2	-3.6%

### DEMAND/SUPPLY:

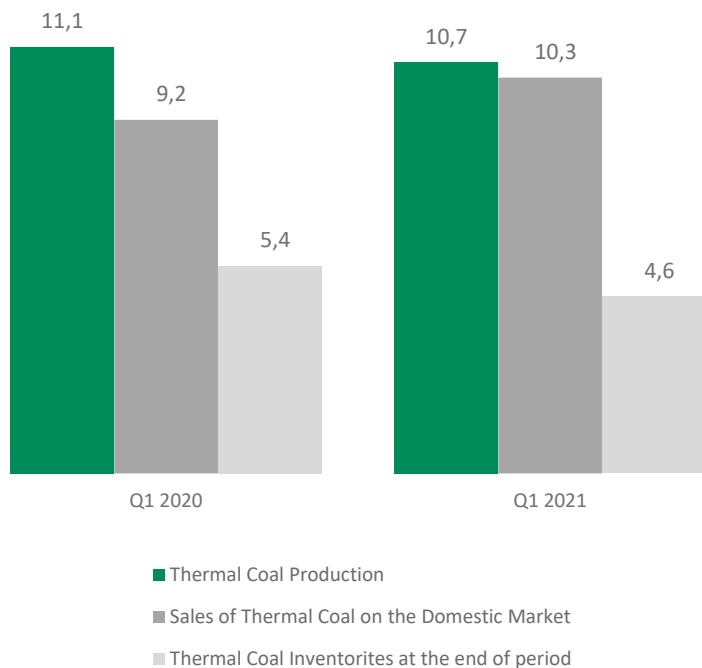
Production of electric power in commercial power plants with the use of hard coal (GWh)	19,258	24,382	26.6%
Inventories of coal in mines (million tonnes)**	5.4	4.6	-14.8%

\*PSE SA

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

## Decrease in production and increase in sales of thermal coal market in Poland, import at the level of 2.5 million tonnes

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



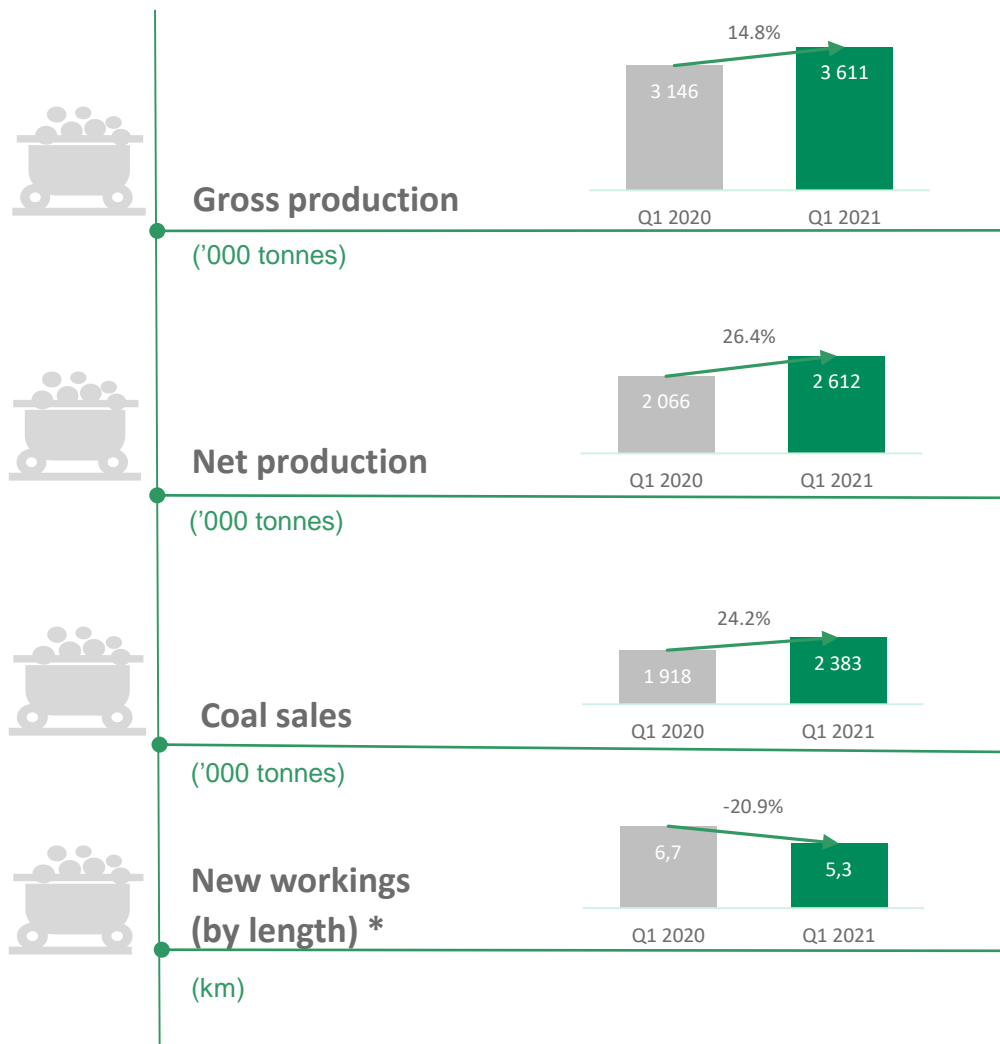
**Thermal coal imports and exports**  
[million tonnes]\*



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

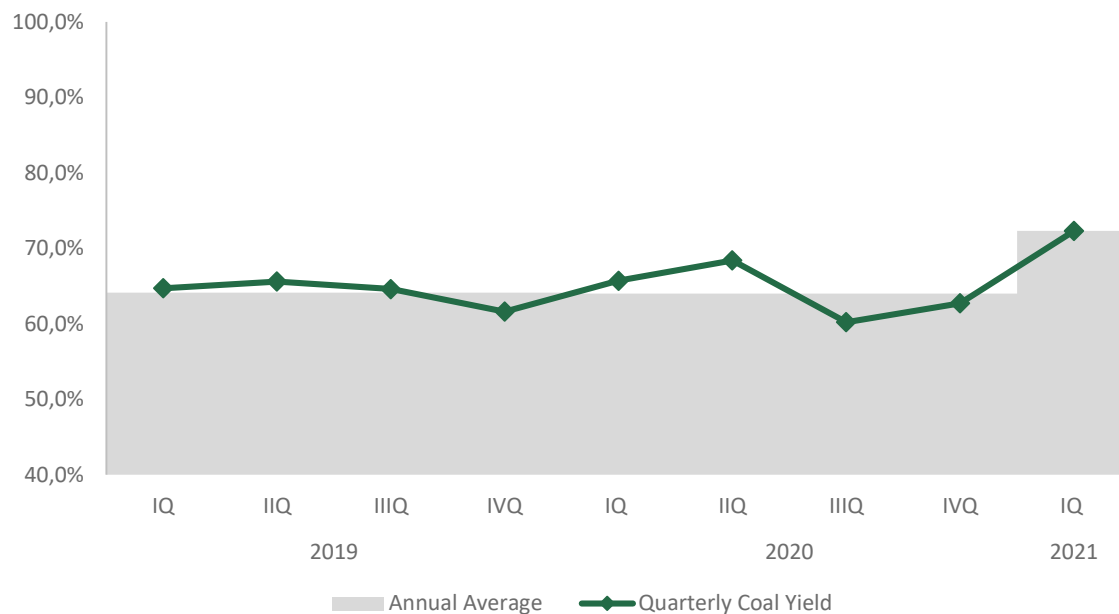


## GK LW Bogdanka – increase of gross production and coal sales in Q1 2021 compared Q1 2020



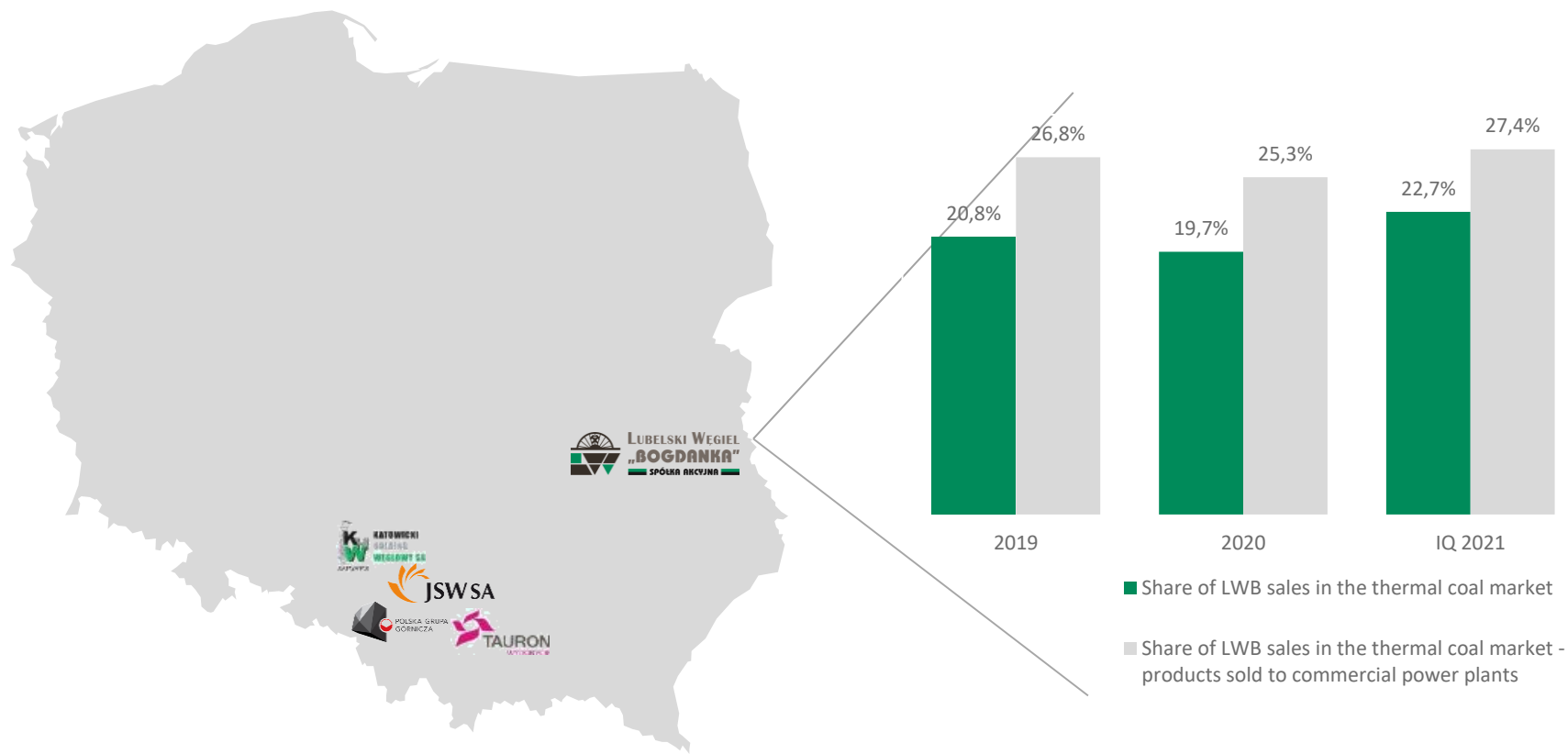
\*Length of new workings includes reconstruction works

## Coal yield at a level of 72.3% in Q1 2021



- ✓ coal yield in Q1 2021 was about 72.3% and was higher than in Q1 2020 (65.7%) and higher than in Q4 2020 (62.7%)
- ✓ in Q1 2021 35.9% of raw coal was obtained from low walls and 64.1% high walls. In the same period of 2020 this ratio was at the same level
- ✓ production in Q1 2021 was conducted on 74 days, the same in Q1 2020

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





## 2

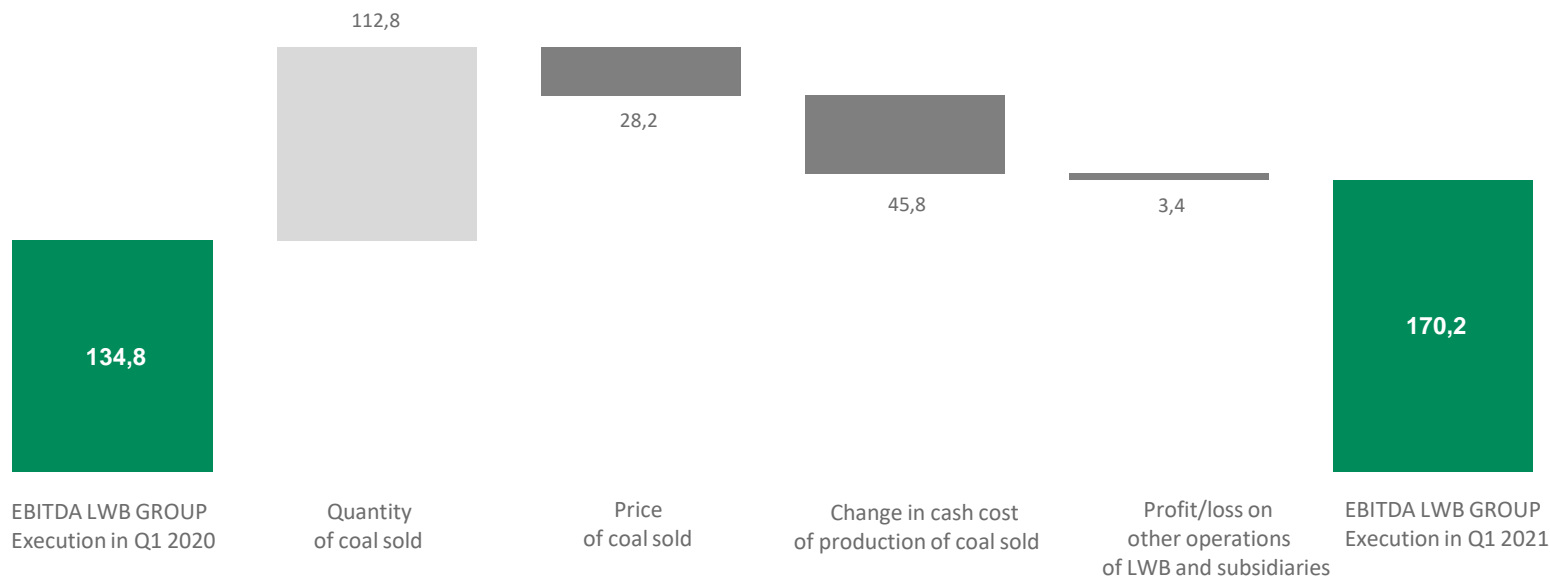
Financial highlights of  
the LW Bogdanka  
Group in Q1 2021

## Higher coal yield, increase in production and sales in Q1 2021 vs. Q1 2020

Item	Unit	Q1 2020	Q1 2021	Change
<b>Technical and operating data</b>				
Gross production	'000 tonnes	3,146	3,611	14.8%
Net production	'000 tonnes	2,066	2,612	26.4%
Coal yield	%	65.7%	72.3%	10.0%
Coal sales	'000 tonnes	1,918	2,383	24.2%
Inventories (end of period)	'000 tonnes	327	350	7.0%
New workings (by length)*	km	6.7	5.3	-20.9%
<b>Financial data</b>				
Revenue	PLN' 000	464,081	543,675	17.2%
EBITDA	PLN' 000	134,807	170,221	26.3%
EBIT	PLN' 000	44,894	64,502	43.7%
Net profit	PLN' 000	33,668	50,307	49.4%

## Increase in EBITDA in Q1 2021 compared to Q1 2020 caused by higher sales of coal

Factors influencing EBITDA [PLN million]



### Q1 2020

#### Factors influencing EBITDA:

- (+) EBITDA margin – 31.3% in Q1 2021 comparing to 29.0% in Q1 2020
- (+) increase in revenue on sales of coal: higher quantitative sales (+465,000 tonnes, +24.2%)
- (-) lower price of coal sold
- (-) gross extraction higher by 464,000 tonnes (+14,8%) – increase in production cost

## The Group's result in Q1 2021 was influenced by: higher production and sales

Item [PLN '000]	Q1 2020	IQ 2021	Change
Revenue	464,081	543,675	17.2%
Costs of products, goods and materials sold, selling and administrative expenses	420,082	477,399	13.6%
<b>Profit on sales</b>	<b>43,999</b>	<b>66,276</b>	<b>50.6%</b>
Gross sales margin	9.5%	12.2%	2.7 p.p.
Other income	1,567	447	-71.5%
Other costs	151	160	6.0%
<b>Net operating profit</b>	<b>45,415</b>	<b>66,563</b>	<b>46.6%</b>
Other net losses	-521	-2,061	295.6%
<b>Operating profit (EBIT)</b>	<b>44,894</b>	<b>64,502</b>	<b>43.7%</b>
EBIT margin	9.7%	11.9%	2.2 p.p.
<b>EBITDA</b>	<b>134,807</b>	<b>170,221</b>	<b>26.3%</b>
EBITDA margin	29.0%	31.3%	2.3 p.p.
Finance income	1,578	68	-95.7%
Finance costs	2,909	2,502	-14.0%
<b>Profit before taxation</b>	<b>43,563</b>	<b>62,068</b>	<b>42.5%</b>
Pre-tax profit margin	9.4%	11.4%	2.0 p.p.
Income tax	9,895	11,761	18.9%
<b>Net profit for the financial year</b>	<b>33,668</b>	<b>50,307</b>	<b>49.4%</b>
Net sales margin	7.3%	9.3%	2.0 p.p.

## In Q1 2021 increase in net production by 26.4% and in coal sales by 24.2% with higher costs by nature of LW Bogdanka S.A. by 3.9%

Item [PLN '000]	Q1 2020	Q1 2021	Change
Net production ['000 tonnes]	2,066	2,612	26.4%
Coal sales ['000 tonnes]	1,918	2,383	24.2%
Depreciation and amortization	87,212	102,920	18.0%
Materials and energy	126,318	117,700	-6.8%
External services	119,362	120,186	0.7%
Employee cost and benefits	147,750	156,846	6.2%
Entertainment and advertising	3,181	2,912	-8.5%
Taxes and charges	13,198	15,409	16.8%
Other expenses	524	854	63.0%
<b>Cost by nature</b>	<b>497,545</b>	<b>516,827</b>	<b>3.9%</b>
Cost of activities for the Company's own needs	-73,872	-39,533	-46.5%
Accruals and deferrals	20,159	17,816	-11.6%
Value of coal obtained from excavations	-12,812	-18,754	46.4%
Provisions and other presentation adjustments between costs by type and by function	19,285	32,688	69.5%
<b>Total production costs</b>	<b>450,305</b>	<b>509,044</b>	<b>13.0%</b>
Change in product inventories	-31,797	-35,012	10.1%
Value of goods and materials sold	3,362	3,269	-2.8%
<b>Own cost of production sold, including:</b>	<b>421,870</b>	<b>477,301</b>	<b>13.1%</b>
Costs of products, goods and materials sold	382,928	435,073	13.6%
Selling costs	7,950	8,968	12.8%
Administrative costs	30,992	33,260	7.3%

Source: In-house data



## In Q1 2021 increase in net production by 26.4% and in coal sales by 24.2% with higher costs by type of LW Bogdanka S.A. by 3.9%

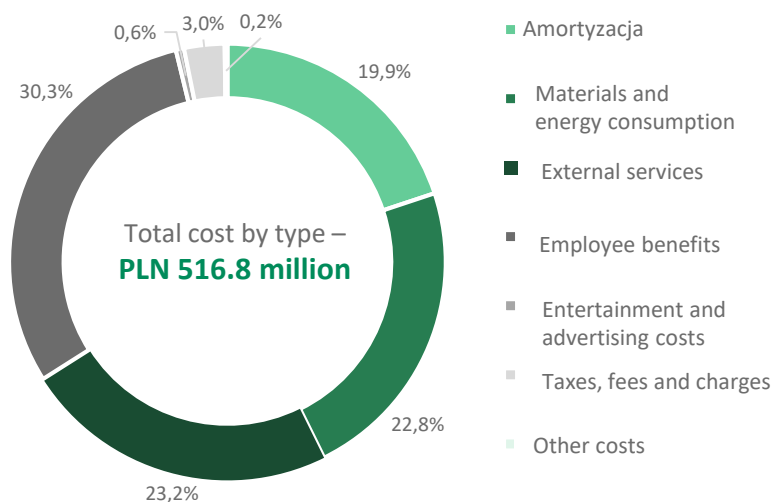
**Gross extraction** – increase by 14.8%, i.e. 465,000 tonnes

**Net extraction** – increase by 26.4%, i.e. by 546,000 tonnes

**New workings** – down by 20.9% (5.3 km in Q1 2021 compared to 6.7 km in Q1 2020)

**Total costs by type** – PLN 516.8 million in Q1 2021, increase in relation to Q1 2020 by 3.9%, i.e. PLN 19.3 million

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



### Taxes and charges (+16,8% y/y):

- ✓ increase in real property tax
- ✓ increase in payments for extracting a deposit

### Other costs (+63,0% y/y):

- ✓ higher value of property insurance

### Depreciation / Amortisation(+18,0% y/y):

- ✓ higher value of depreciation of non-current assets
- ✓ increase in value in natural depreciation (result of higher production and wall mining progress)

### Materials and energy consumption (-6.8% y/y):

- ✓ decrease in consumption of materials in preparatory units due to lower drilling excavations (lower use of support systems and elements for wall systems)
- ✓ increase in costs of electricity – higher consumption

### Entertainment and advertising costs (-8.5% y/y):

- ✓ less expenditure on activities and marketing projects that were not implemented due to the pandemic

### Employee benefits (+6,2% y/y):

- ✓ payment of an additional bonus for employees
- ✓ greater payment of jubilee awards and retirement benefits
- ✓ compensation for the salary increase for the first quarter

### Outsourced services (+0.7 y/y):

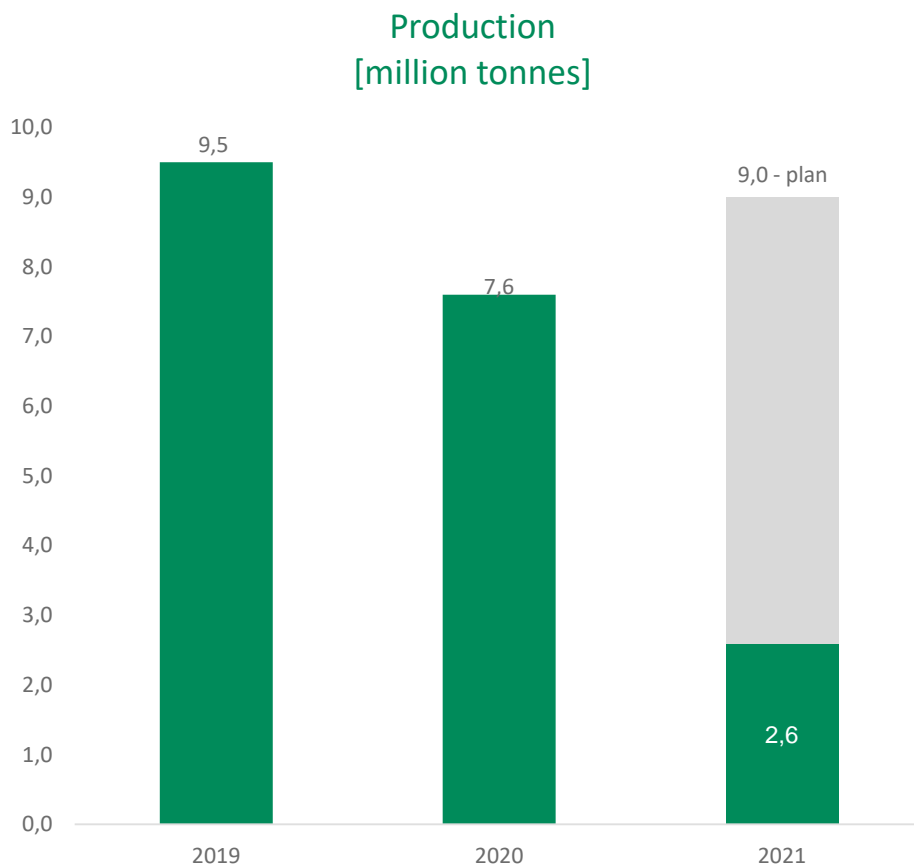
- ✓ higher costs of mining & drilling and excavation works on working days and on Sundays and holidays
- ✓ higher costs of service of stone removal for land reclamation



# 3

Performance of the  
plan in Q1 2021

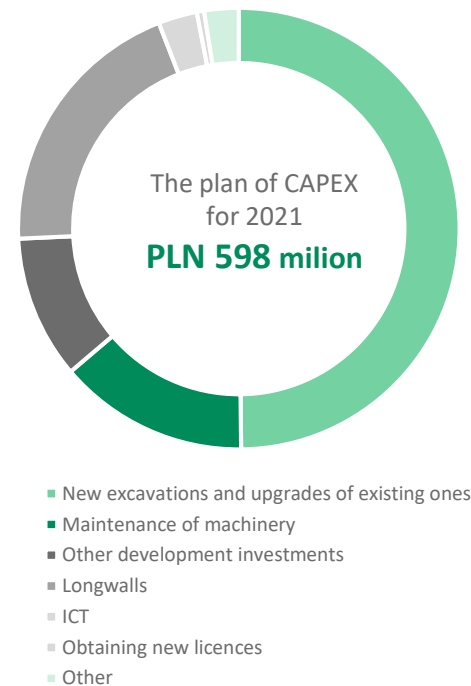
## Production in Q1 2021 – 2.6 million tonnes



- ✓ in Q1 2021 production was at the level 2.6 million tonnes, and sales were at the level 2.4 million tonnes, in Q1 2020 it was 2.1 million tonnes and 1.9 million tonnes
- ✓ production plan for 2021 is 9.0 million tonnes

## The use of CAPEX in Q1 2021 – around PLN 72 million

Item [PLN '000]	Plan for 2021	Realization of plan Q1 2021	Realization of plan Q1 2020 [%]
New excavations and upgrades of existing ones	297,846	41,986	14.1%
Maintenance of machinery	83,389	15,474	18.6%
Obtaining new licences	3,150	0	0.0%
Longwalls	118,500	0	0.0%
Other development investments	62,696	12,385	19.8%
ICT	17,034	1,321	7.8%
Administration	50	0	0.0%
Transport	140	0	0.0%
Other	7,301	0	0.0%
<b>TOTAL CAPEX in LW Bogdanka SA</b>	<b>590,106</b>	<b>71,166</b>	<b>12.1%</b>
Łęczyńska Energetyka sp. z o.o.	5,262	80	1.5%
Other subsidiaries	2,323	625	26.9%
<b>TOTAL CAPEX AT THE LW BOGDANKA GROUP</b>	<b>597,691</b>	<b>71,871</b>	<b>12.0%</b>



- Q1 2021 saw increases in coal prices on the global market (**+35.7%** compared to Q1 2020) while on the domestic market coal prices decreased (**-3.5%** comparing to Q1 2020)
- In Q1 2021 the Company performed its production plan at a level of more than **2.6 million tonnes** and sales plan at a level of near by **2.4 million tonnes**. In total 5.3 km of galleries was made (-20.9% compared to Q1 2020).
- The Company retains a strong market position achieving, in Q1 2021, the share in the market of thermal coal sales of **22.7%**, and the share in the market of thermal coal sales to commercial power plants of **27.4%**
- The achieved financial results in Q1 2021 are a result of higher production and sales of the Company at a slightly lower price – revenue amounted to **PLN 543.7 million**, EBITDA was **PLN 170.2 million**, operating profit **PLN 64.5 million**, and net profit **PLN 50.3 million**
- On 19 May 2021, 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 2020 to the reserve capital in full amount.

Thank you

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# 4

Appendices – Financial  
information

## Statement of Financial Position of LW Bogdanka Capital Group

Item [PLN '000]	31.12.2020	31.03.2021
Non-current assets, including:	3,763,945	3,716,042
Cash and cash equivalents	141,591	141,226
Current assets, including:	611,318	720,627
Cash and cash equivalents	241,610	275,436
<b>Total assets</b>	<b>4,375,263</b>	<b>4,436,669</b>
Current liabilities	360,386	384,654
Non-current liabilities	715,050	701,881
<b>Total liabilities</b>	<b>1,075,436</b>	<b>1,086,535</b>
<b>Equity</b>	<b>3,299,827</b>	<b>3,350,134</b>
Current borrowings	3,150	3,140



## Cash flow GK LW Bogdanka

Item [PLN '000]	Q1 2020	Q1 2021
<b>Net cash flows on operating activities</b>	<b>77,349</b>	<b>121,940</b>
Cash inflow from operating activities	82,739	132,419
Income tax paid	(5,390)	(10,479)
<b>Net cash flows on investing activities</b>	<b>(200,190)</b>	<b>(85,897)</b>
Acquisition of property, plant and equipment	(199,532)	(86,142)
Interest paid regarding investing activity	-	-
Acquisition of intangible assets	(1,933)	(134)
Inflow from the sale of property, plant and equipment	49	-
Interest received	1,238	14
Expenditure on other current investments	-	-
Proceeds from current investments	-	-
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	(12)	365
<b>Net cash flows on financing activities</b>	<b>(2,198)</b>	<b>(2,217)</b>
Bond redemption	-	-
Lease payments	(1,294)	(1,344)
Repayments of loans and borrowings	(759)	(759)
Interest and commissions paid due to financing activities	(145)	(114)
Budget subsidies received	-	-
Dividends paid	-	-
<b>Net increase/decrease in cash and cash equivalents</b>	<b>(125,039)</b>	<b>33,826</b>
Cash and cash equivalents at beginning of period	382,740	241,610
<b>Cash and cash equivalents at end of period</b>	<b>257,701</b>	<b>275,436</b>

Source: In-house data

## Sales structure at LW Bogdanka Capital Group

Item [PLN '000]	Q1 2020	Share [%]	Q1 2021	Udział [%]
Coal sales	450,560	97.1%	528,677	97.2%
Other activities	10,159	2.2%	11,734	2.2%
Sales of merchandise and materials	3,362	0.7%	3,264	0.6%
<b>Total revenue</b>	<b>464,081</b>	<b>100.0%</b>	<b>543,675</b>	<b>100.0%</b>

## Provisions at the LW Bogdanka S.A.

### Balance-sheet provisions

<b>[PLN '000]</b>	<b>Q1 2020</b>	<b>2020</b>	<b>Q1 2021</b>	<b>Change Q1 2021/ 2020</b>	<b>Change Q1 2021/ Q1 2020</b>
Employee provisions	199,346	215,327	235,407	9.3%	18.1%
Liabilities under local property tax	10,457	0	0	-	-100.0%
Mine decommissioning and land reclamation provision	172,047	212,456	212,191	-0.1%	23.3%
Mining damage	2,104	2,579	2,424	-6.0%	15.2%
Other	12,837	4,735	7,603	60.6%	-40.8%
<b>Total</b>	<b>396,791</b>	<b>435,097</b>	<b>457,625</b>	<b>5.2%</b>	<b>15.3%</b>

The total provisions as at 31 March 2020 amounted to PLN 396,790,000, which means a decrease by 2,2% compared to the value as at 31 December 2019

### Change in provisions

<b>PLN '000]</b>	<b>Change Q1 2020</b>	<b>Change Q1 2021</b>	<b>Change Q1 2021/ Q1 2020</b>
Employee provisions	7,381	20,080	172.0%
Liabilities under local property tax	151	0	-100.0%
Mine decommissioning and land reclamation provision	412	-265	-164.3%
Mining damage	-45	-155	244.4%
Other	600	2,868	378.0%
<b>Total</b>	<b>8,499</b>	<b>22,528</b>	<b>165.1%</b>

This presentation (the “Presentation”) has been prepared by LW Bogdanka S.A. (the “Company”). The information contained in the Presentation has been compiled and prepared with due care, based on facts and data taken from sources believed by the Company to be reliable, in particular based on the Company’s own research and estimates prepared on the basis of publicly available information, or Company data not constituting inside information within the meaning of Art. 154 of the Act on Trading in Financial Instruments. The Company shall not be held liable for anything resulting from the use of information contained in the Presentation.

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Thank you for your  
attention