



Current Report No. 9/2023

Date of preparation: 17 May 2023

Subject: Key elements of the Development Strategy of the LW Bogdanka Group for 2023-2030 with an Outlook until 2040, including the dividend policy - disclosure of confidential information.

Legal basis: Article 17(1) of MAR – confidential information

Content:

The Management Board of LW Bogdanka S.A. ("Company"), with its registered office in Bogdanka, hereby reports that on 17 May 2023 the Company's Supervisory Board approved the "Development Strategy of the LW Bogdanka Group for 2023-2030 with an Outlook until 2040" ("Strategy"), including the dividend policy, adopted by the Management Board on 9 May 2023.

Pursuant to § 17 sec. 1 item 14 of the Articles of Association, the aforementioned document required approval by the Supervisory Board, therefore, on 9 May 2023, the Company's Management Board, pursuant to Article 17(1) and (4) of the Regulation (EU) No. 596/2014 of the European Parliament and of the Council on market abuse and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (MAR), decided to delay the publication of the aforementioned information.

The key premises for developing and adopting the new Strategy were:

- The turbulences in the global coal market related to the destabilization of the market caused by the war in Ukraine and the embargo on imports from Russia. The change in the global and local coal demand and supply structure, as well as the increase in raw material prices and their projected continuation in the medium term.
- Poland's accelerating energy transition - an update of PEP 2040 and the Social Agreement and Program for the Coal Sector (closure of the LW Bogdanka mine in 2049).
- Progressing exploration of raw materials - the scarcity of critical raw materials sets the stage for the development of mining activities.
- Ownership change - the acquisition of a majority stake from ENEA by the State Treasury planned for mid-2023, and increased potential to diversify operations and support the energy transition.
- LW Bogdanka's progress - the launch of efficient transition to optimize mining, the concretized actions of the ESG Strategy and the Strategy of the Łęczyński Energy Cluster, plans to develop a Concern with diversified operations.

The long-term goal of the new Strategy is to transform LW Bogdanka into a Multi-commodity Concern. The activator of the new Strategy is coal mining, which we will effectively pursue until 2049, providing space for the development of new business pillars for the Multi-commodity Concern.

Vision

Innovative multi-commodity concern driving green transition and securing the economic development of the Lublin region.

Mission

Responsible and sustainable development based on mining competence.

The Development Strategy of the LW Bogdanka Group for 2023-2030 with an Outlook until 2040 ("Strategy") is based on 5 pillars - a strong coal foundation and, on top of it, 2 pillars of diversification and pillars of sustainable and responsible development. Under the 5 pillars, 21 strategic initiatives have been developed.

Pillar I - Efficiency Leader:

1. Developing the Group - the starting point for entering the diversification areas will be to professionalize and build a strong group.
2. Guaranteeing production until 2049 by starting mining from the K-6 and K-7 resource base in 2024, and preparing for the opening of the vertical Ostrów field after 2038, guarantees flexibility and energy security for the State in the energy transition.
3. Efficient Transition by improving efficiency in 8 areas of operation. The result of these measures will be a reduction in the unit cost of mining.
4. Innovative mine - the use of the latest solutions in the area of monitoring of the rock mass, production process and environment, implementation of innovations to improve safety and ergonomics of work, and management of the plant based on sensors that generate real data to support decision-making.
5. Supporting Ukraine's energy reconstruction by leveraging Bogdanka's expertise and resources to actively support the post-war reconstruction of critical infrastructure in Ukraine.
6. Commercialization of mining expertise by professionalizing the expertise and technology across the chain.
7. Developing the potential for raw material transport by assessing the potential for greater use of the rolling stock.

Pillar II - Multi-commodity Concern:

8. Multi-commodity mining based on the exploration and commercial mining of a range of minerals critical to sustainable transition and attractive to the market.
9. The Bogdanka Fund, which is an accelerator that enables investment in new technologies for the future of the Company and the region.

Pillar III - Sustainable Energy Guarantor:

10. Production of RES components, i.e. foundation baskets for wind farms and structures for mounting photovoltaic panels.
11. A new scale of RES installations involving diversification of LW Bogdanka's revenues through RES installations in the range of approx. 500MW by 2030 and the sale of electricity generated by RES installations.
12. Recycling of electric batteries.
13. Recycling of photovoltaic waste.

Pillar IV - Green Transition:

14. Circular economy focused on reducing resource consumption by implementing circular economy solutions, use of mining waste (shale) for commercial applications (production of fertilizer ingredients, building materials), development of heat recovery technology from mine water, analysis of the possibility of increasing retention (drainage of the Stefanów field).

15. Increasing energy efficiency and reducing greenhouse gas emissions in the mine's operations, using energy from the test RES facilities being built under Pillar III to increase LW Bogdanka's energy efficiency, developing the Łęczyński Energy Cluster and reducing the carbon footprint.
16. Revitalization of post-mining areas and removal of mining damage, development of a strategy for the operation of the Nadrybie field after completion of mining, sustainable use and reclamation of spoil tips in cooperation with local governments, and effective management of mining damage.

Pillar V - The Future of the Lublin Region:

17. Attracting and retaining the best employees through a campaign improving the employer's brand image for potential employees, integrating digital technologies into training processes, increasing Bogdanka's competitiveness in attracting experts to support the transition process, developing cooperation with external partners, including partner schools in the Region and the Scientific Council at LW Bogdanka.
18. Increasing the level of occupational safety by building a safety culture in the organization, promoting health care and effective prevention in all positions.
19. Technical improvement of occupational safety by monitoring working conditions with mobile control equipment and seeking solutions to eliminate unsafe activities.
20. Re-branding programs focusing on the development of a plan for replenishing staff knowledge and re-branding, a priority program for existing employees in new business areas (RES).
21. Responsible business practices through the implementation of ESG criteria in purchasing and sales processes and care for limited and sustainable use of raw materials and energy in all processes operating within the Company, proactive approach in undertaking sustainable ESG initiatives and communicating good practices to the value chain, transparency in communications with stakeholders, and effective activities of the corporate foundation.

Basic operational and economic parameters:

The average level of coal production will be approx. 9.1 million tons in 2023-2025, approx. 10.1 million tons in 2026-2030, and approx. 9.1 million tons in 2031-2040.

Average sales revenues are projected at PLN 5,902 million in 2023-2025, at PLN 5,565 million in 2026-2030, and at PLN 4,967 million in 2031-2040.

The average value of expenditures in 2023-2025 will be approx. PLN 1,017 million, in 2026-2030 approx. PLN 1,116 million, and in 2031-2040 approx. PLN 426 million.

In its Strategy, Bogdanka aims to strengthen its market position by achieving a 58% market share of coal supplied to the commercial power sector in 2030.

The Company is targeting a dynamic increase in the average share of revenue from non-core business initiatives from 1% in 2023-2025 to 12% in 2026-2030 and to 29% in 2031-2040.

Adopting the aforementioned assumptions, the Company will aim to achieve, on average, a return on equity (ROE) of 26% in 2023-2025 (11% in 2026-2030, 3% in 2031-2040) a return on assets (ROA) of 22% (10% in 2026-2030, 3% in 2031-2040) and an EBITDA margin of 46% (41% in 2026-2030, 30% in 2031-2040).

Dividend policy:

LW Bogdanka S.A. intends to remain a dividend-paying company, taking into account planned capital expenditures related to diversification of operations.

The intention of the Management Board of LW Bogdanka S.A. is to apply to the Shareholder Meeting in the future for a dividend payout of up to 50% of net profit.

The amount of dividend recommended each time will depend on the current market situation, cash flows generated from operations, ongoing and planned investments, and the possibility and conditions of raising debt financing.

The Company's dividend policy in the future will be influenced by the implementation of strategic initiatives aimed at increasing production efficiency and diversifying revenues, which, in turn, may translate into the level of capital expenditures.

The information contained in this current report regarding the LW Bogdanka Group Strategy does not constitute a forecast of results. Nothing in this current report constitutes a recommendation to buy or sell financial instruments within the meaning of the Regulation of the Minister of Finance of 19 October 2005 on information which constitutes recommendations concerning financial instruments and their issuers - Journal of Laws of 2005, No. 206, Item 1715. For a detailed description of the risk factors associated with investing in LW Bogdanka S.A.'s securities, see LW Bogdanka S.A.'s 2022 annual report, published on 22 March 2023.