

# Presentation of results the LW Bogdanka Group H1 2023



## Decrease of coal prices on the global market

### CIF ARA coal prices

- 124.7 USD/t - average CIF ARA coal price in Q2 2023 -63.1% vs. Q2 2022 (338.0 USD/t)
- comparing with the average CIF ARA coal price in Q1 2023 (146.7 USD/t), this is a decrease of 15.0%
- the average price in H1 2023 was 135.7 USD/t, down 52.2% (283.8 USD/t in H1 2022)

### Inventories in ARA ports

- approx. 6.3 million tons of coal inventories at the end of June 2023 at ARA ports - at the end of March 2023 the inventories stood at 5.5 million tons

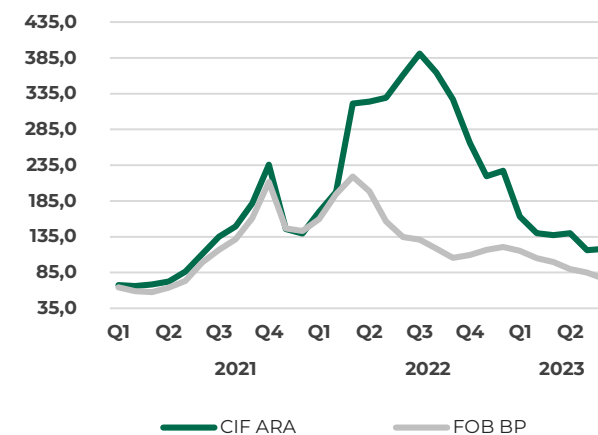


Source: [www.sxcoal.com](http://www.sxcoal.com), [www.polskirynekwegla.pl](http://www.polskirynekwegla.pl)

### Prices at major ports worldwide

- 83.9 USD/t - average Baltic Ports FOB price in Q2 2023 vs. Q2 2022 (163.2 USD/ton) – down by 48.6%
- comparing with the average price in Q1 2023 (106.6 USD/t), this is a decrease of 21.3%
- the average price in H1 2023 was 95.2 USD/t, down 66.5% (177.2 USD/t in H1 2022)

### Price of coal on the international market (USD/t)



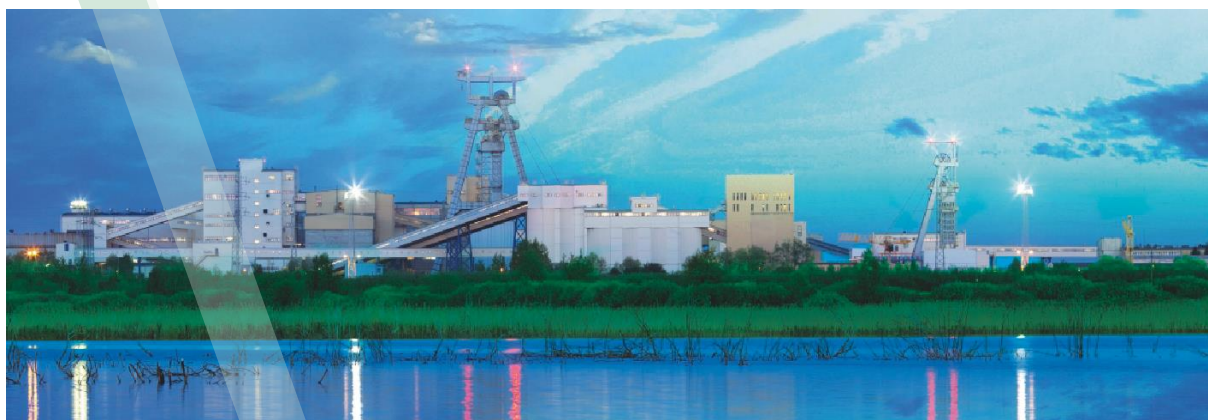
## Increase of thermal coal prices on the domestic market

### Price of fine steam coal

- The average price of fine steam coal for the commercial power sector in Q2 2023 was 31.2 PLN/GJ, the price growth rate was ca. 139.6% compared to Q2 2022 (13.4 PLN/GJ)
- The average price of fine steam coal for the commercial power sector in H1 2023 was 31.2 PLN/GJ, the price growth rate was ca. 141.2% compared to H1 2022 (13.1 PLN/GJ)
- The average calorific value of fine coal for the commercial power sector was approx. 21.7 GJ

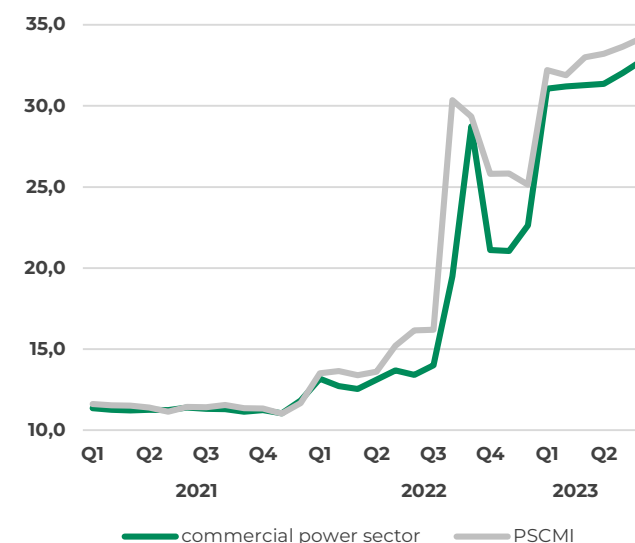
### Prices from the PSCMI index

- The average price from the PSCMI Index in Q2 2023 was approx. 33.7 PLN/GJ, compared to the average price in Q2 2022 (15.0 PLN/GJ), the increase was approx. 124.7%
- The average price from the PSCMI Index in H1 2023 was approx. 33.0 PLN/GJ, compared to the average price in H1 2022 (14.3 PLN/GJ), the increase was approx. 130.8%



Source: ARP

### Prices for fine steam coal on the domestic market (PLN/GJ)



The high level, calculated statistically, of average steam coal sales prices in August and September 2022 is the result of coal companies renegotiating coal sales prices and including in the revenues of those months adjustments to invoices from previous months.

Source: ARP, TGE, [www.polskiyrynekwegla.pl](http://www.polskiyrynekwegla.pl).

## Decrease in extraction and sales of thermal coal market in Poland in H1 2023 compared to H1 2022

<b>SYTUACJA POLSKICH SPÓŁEK*:</b>	<b>Q2 2022</b>	<b>Q2 2023</b>	<b>Change</b>	<b>H1 2022</b>	<b>H1 2023</b>	<b>Change</b>
Extraction of thermal coal in domestic coal market (million tonnes)	10.0	8.1	-19.0%	20.7	16.9	-18.4%
Sales of thermal coal in domestic coal market (million tonnes)	9.4	6.5	-30.9%	20.2	15.3	-24.3%
Average cost of coal sold (PLN)	429.1	749.1	74.6%	403.1	658.1	63.3%
<b>COAL PRICES</b>						
Average price of power coal (PLN)	347.7	755.8	117.4%	328.4	757.0	130.5%
Average price of coal sold to commercial power industry (PLN)	281.2	680.3	141.9%	274.0	664.7	142.6%
<b>DEMAND/SUPPLY</b>						
Production of electric power in commercial power plants with the use of hard coal (GWh)*	20,469	16,733	-18.3%	43,176	37,571	-13.0%
Inventories of coal in mines (million tonnes)**	1.0	2.4	140.0%	1.0	2.4	140.0%

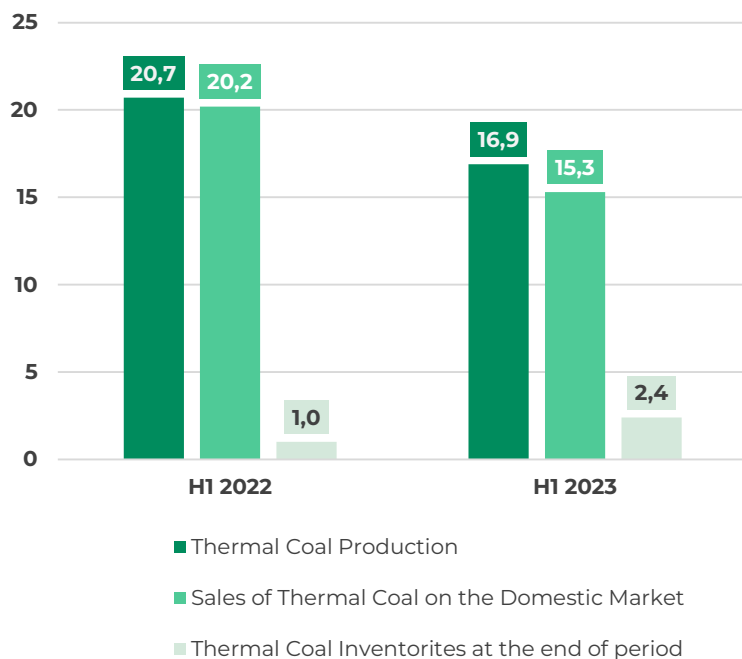
Source ARP

\*PSE S.A.

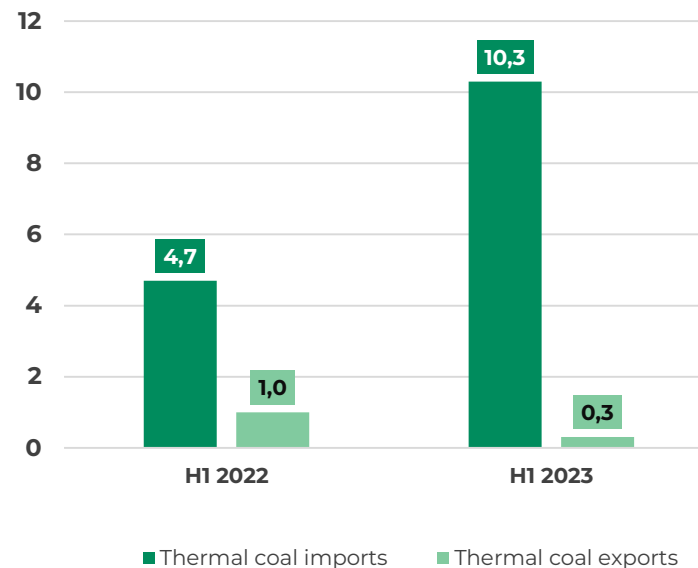
\*\*data do not include Silesia, Siltech, Ekoplus

## Decrease in extraction and sales of thermal coal in Polish mines with increase of inventories, imports at 10.3 million tons

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



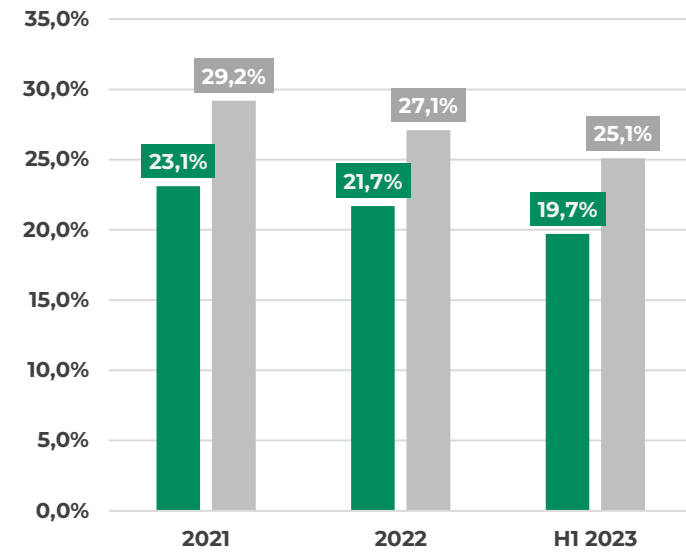
**Thermal coal imports and exports [million tonnes]\***



Source: ARP

\* data do not include Silesia, Siltech, Ekoplus

## We maintains a strong position on the coal market – 25.1% of share in sales to commercial power plants



■ Share of LWB sales in the thermal coal market

■ Share of LWB sales in the thermal coal market - products sold to commercial power plants

Source: ARP

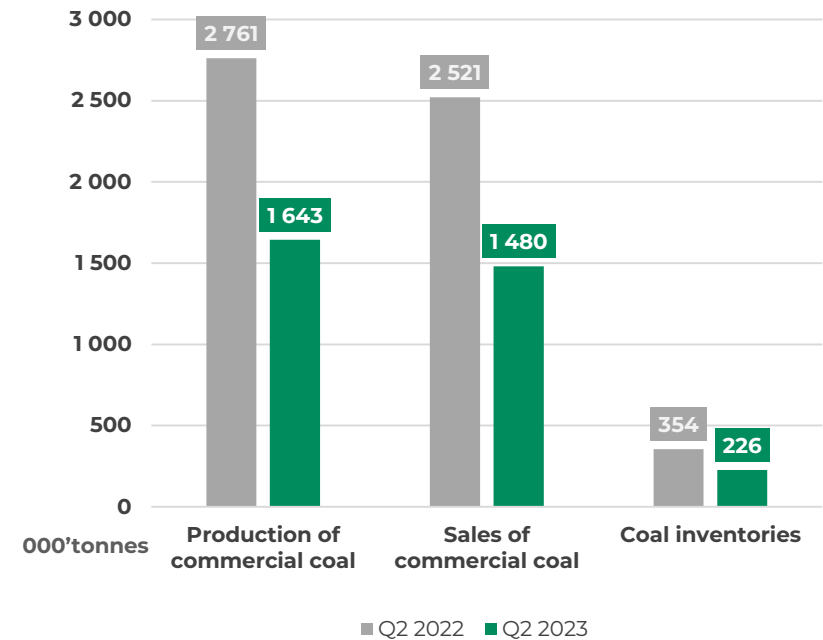
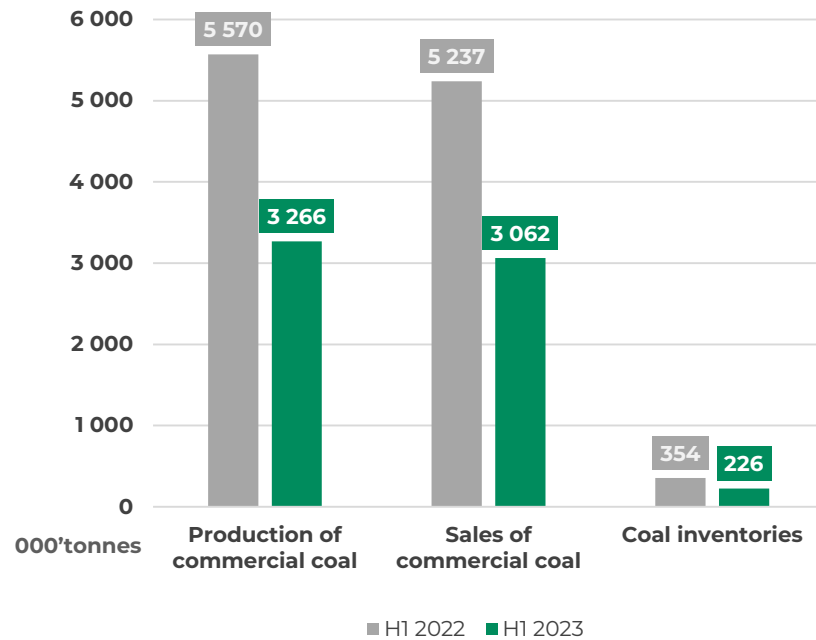
## GK LW Bogdanka - decrease of all operational parameters in H1 2023 compared to H1 2022 caused by geological and mining problems

Technical and operating data								
[000 tons]	Q2 2022	Q2 2023	Change	Change %	H1 2022	H1 2023	Change	Change %
Gross coal production	3,833	2,684	-1,149	-30.0%	7,700	5,653	-2,047	-26.6%
Production of commercial coal	2,761	1,643	-1,118	-40.5%	5,570	3,266	-2,304	-41.4%
Mining yield (%)	72.0%	61.2%	-10.8 p.p	-15.0%	72.3%	57.8%	-14.5 p.p	-20.1%
Sales of commercial coal	2,521	1,480	-1,041	-41.3%	5,237	3,062	-2,175	-41.5%
New roadways (km)	9.8	8.2	-1.6	-16.3%	18.4	16.7	-1.7	-9.2%

\*Length of excavations made includes reconstruction works

Source: In-house data

## GK LW Bogdanka - decrease of all operational parameters in H1 2023 compared to H1 2022 caused by geological and mining problems



Source: In-house data



## Coal yield at a level of 57.8% in H1 2023

### Coal Yield

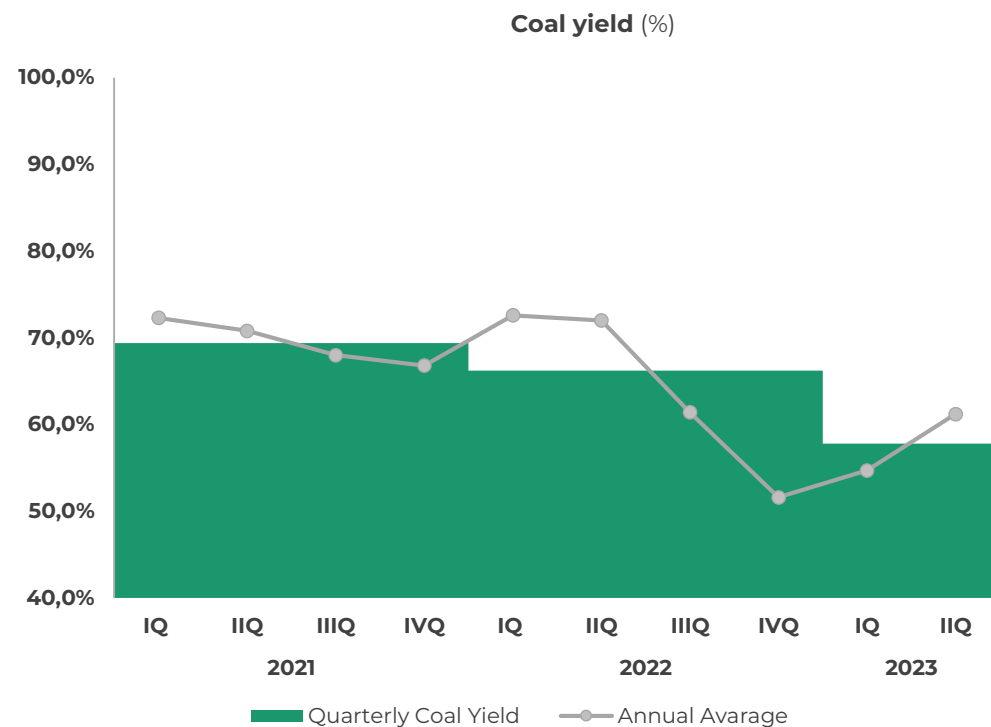
- coal yield in Q2 2023 was about 61.2% and was lower than in Q2 2022 (72.0%) and in Q2 2022 (54.7%)
- average yield in H1 2023 was 57.8% compared to 72.3% in H1 2022

### The share of extraction from the walls (%)

- in Q2 2023 19.8% of raw coal was obtained from low walls and 80.2% high walls. In the same period of 2022 this ratio was 17.4% compared to 82.6%.
- In H1 2023 30.1% of raw coal was obtained from low walls and 69.9% from high walls. In the same period of 2022 this ratio was 8.1% to 91.9%

### Number of production days

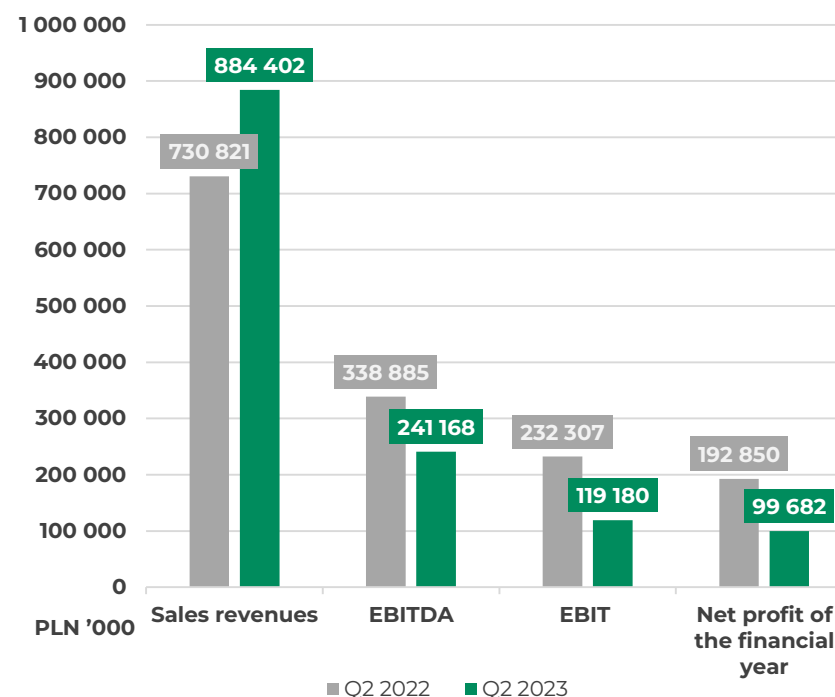
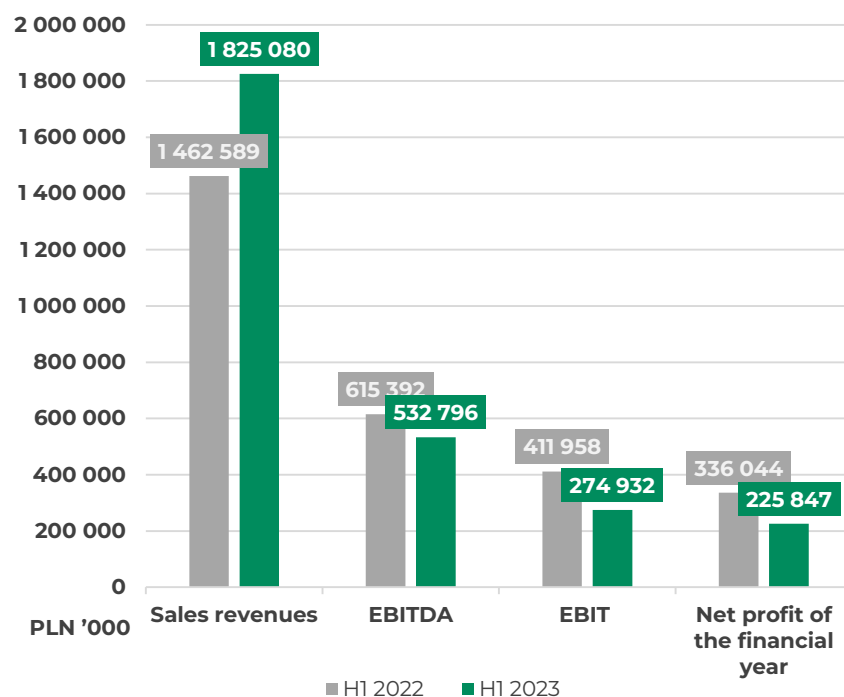
- production in H1 2023 was conducted on 156 days, compared to 151 days in the same period H1 2022



## Key financial results of the LW Bogdanka Group in Q2 2023 and H1 2023

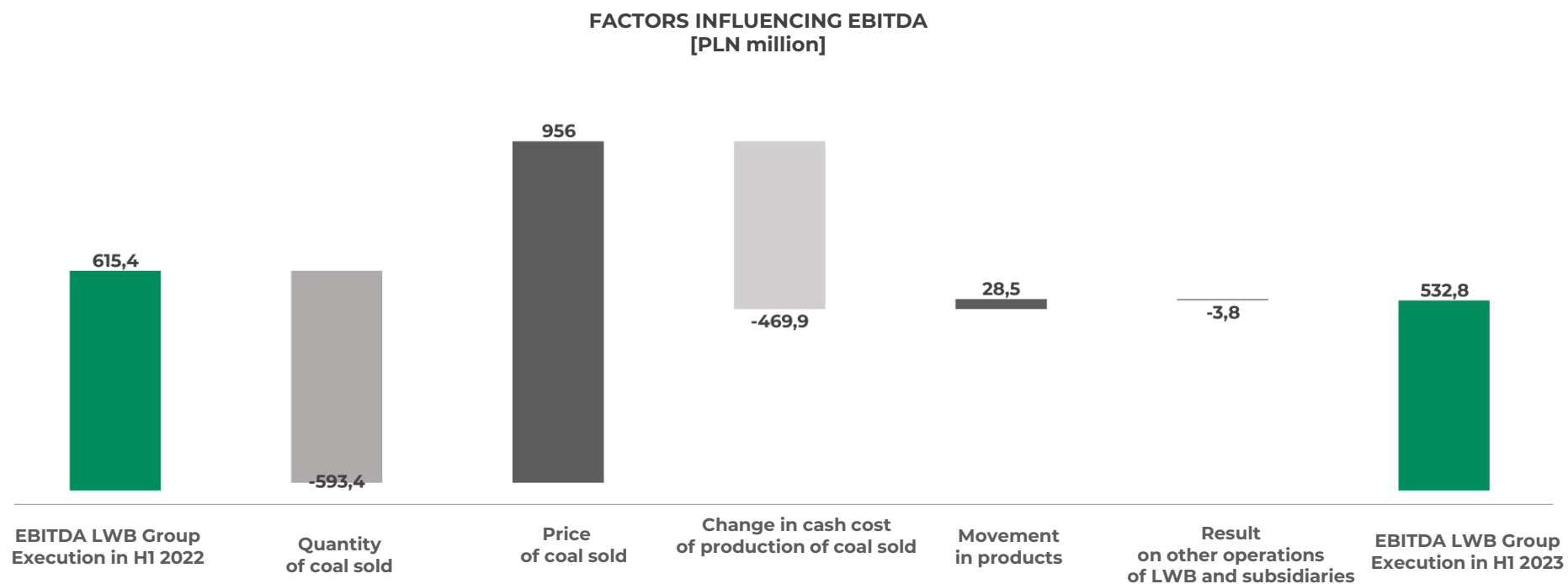
[PLN thousand]	Q2 2022	Q2 2023	Change	H1 2022	H1 2023	Change
Sales revenues	730,821	884,402	21.0%	1,462,589	1,825,080	24.8%
Cost of products, goods and materials sold, selling and distribution expenses, and administrative expenses	496,882	739,012	48.7%	1,047,830	1,491,270	42.3%
<b>Sales profit</b>	<b>233,939</b>	<b>145,390</b>	<b>-37.9%</b>	<b>414,759</b>	<b>333,810</b>	<b>-19.5%</b>
Gross return on sales	32.0%	16.4%	-15.6 p.p.	28.4%	18.3%	-10.1 p.p.
Other revenues	213	358	68.1%	1,040	1,377	32.4%
Other costs	283	4,869	1,620.5%	904	5,769	538.2%
<b>Net operating profit</b>	<b>233,869</b>	<b>140,879</b>	<b>-39.8%</b>	<b>414,895</b>	<b>329,418</b>	<b>-20.6%</b>
Other net losses	-1,562	-21,699	1,289.2%	-2,937	-54,486	1,755.2%
<b>Operating profit (EBIT)</b>	<b>232,307</b>	<b>119,180</b>	<b>-48.7%</b>	<b>411,958</b>	<b>274,932</b>	<b>-33.3%</b>
EBIT margin	31.8%	13.5%	-18.3 p.p.	28.2%	15.1%	-13.1 p.p.
<b>EBITDA</b>	<b>338,885</b>	<b>241,168</b>	<b>-28.8%</b>	<b>615,392</b>	<b>532,796</b>	<b>-13.4%</b>
EBITDA margin	46.4%	27.3%	-19.1 p.p.	42.1%	29.2%	-12.9 p.p.
Financial income	7,129	9,389	31.7%	9,385	17,021	81.4%
Financial costs	2,952	5,723	93.9%	6,762	12,565	85.8%
<b>Profit before tax</b>	<b>236,484</b>	<b>122,846</b>	<b>-48.1%</b>	<b>414,581</b>	<b>279,388</b>	<b>-32.6%</b>
Profit margin before tax	32.4%	13.9%	-18.5 p.p.	28.3%	15.3%	-13.0 pp
Income tax	43,634	23,164	-46.9%	78,537	53,541	-31.8%
<b>Net profit of the financial year</b>	<b>192,850</b>	<b>99,682</b>	<b>-48.3%</b>	<b>336,044</b>	<b>225,847</b>	<b>-32.8%</b>
Net profitability	26.4%	11.3%	-15.1 pp	23.0%	12.4%	-10.6 pp

## Key financial results of the LW Bogdanka Group in Q2 2023 and H1 2023



Source: In-house data

## EBITDA in H1 2023



(-) Lower volume of coal sales

(+) Higher price of coal sold

(-) Higher production costs: larger number of mining days, higher costs of third-party services, employee benefits, materials and electricity

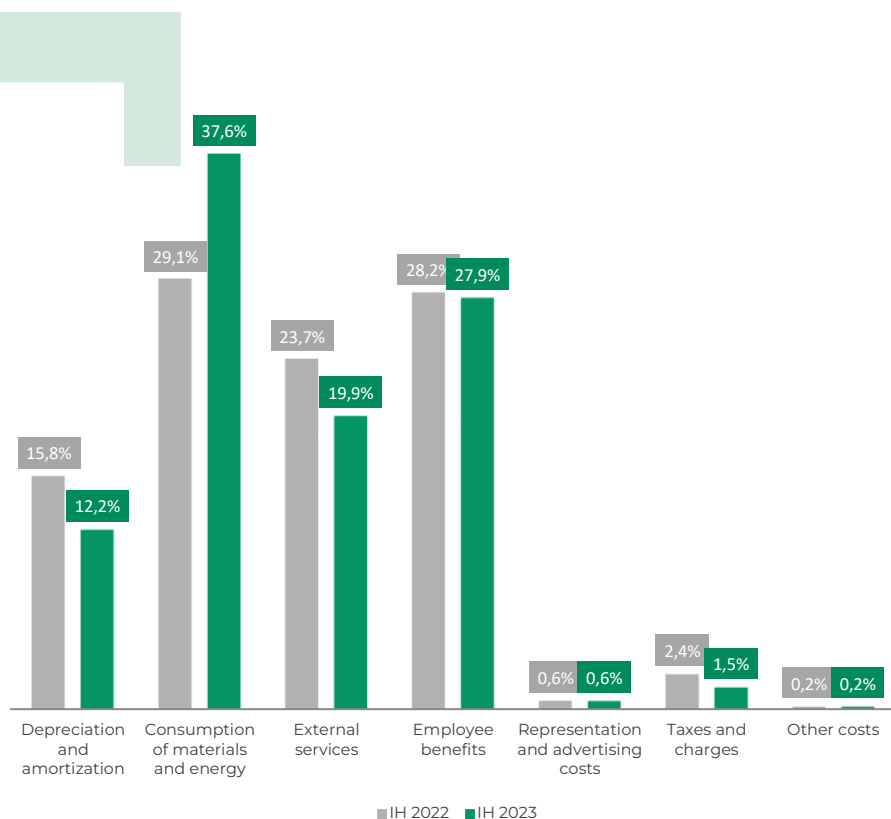
Source: In-house data

## Cost by type of LW Bogdanka S.A. in Q2023 and H1 2023

[PLN thousand]	Q2 2022	Q2 2023	Change	H1 2022	H1 2023	Change
Net production [000 tons]	2,761	1,643	-40.5%	5,570	3,266	-41.4%
Sales [000 tons]	2,521	1,480	-41.3%	5,237	3,062	-41.5%
Depreciation and amortization	97,797	96,215	-1.6%	190,517	199,567	4.8%
Consumption of materials and energy	185,092	311,396	68.2%	350,237	615,751	75.8%
External services	144,289	173,970	20.6%	285,770	325,357	13.9%
Employee benefits	169,347	196,463	16.0%	339,737	456,633	34.4%
Representation and advertising costs	2,237	5,537	147.5%	6,629	9,983	50.6%
Taxes and charges	12,105	11,127	-8.1%	28,675	25,063	-12.6%
Other costs	875	471	-46.2%	2,023	3,879	91.7%
<b>Total costs by nature</b>	<b>611,742</b>	<b>795,179</b>	<b>30.0%</b>	<b>1,203,588</b>	<b>1,636,233</b>	<b>35.9%</b>
Cost of producing services for the entity's proprietary needs	-107,293	-111,163	3.6%	-198,400	-228,212	15.0%
Accruals	43,367	41,496	-4.3%	70,018	33,519	-52.1%
Provisions and other presentation adjustments between expense by nature and by function	-12,872	80,952	-728.9%	18,952	131,583	594.3%
<b>Total production costs</b>	<b>534,944</b>	<b>806,464</b>	<b>50.8%</b>	<b>1,094,158</b>	<b>1,573,123</b>	<b>43.8%</b>
Change in products	-41,932	-65,635	56.5%	-57,084	-85,623	50.0%
Cost of goods and materials sold	6,034	3,627	-39.9%	12,086	6,623	-45.2%
<b>Cost of goods sold, including:</b>	<b>499,046</b>	<b>744,456</b>	<b>49.2%</b>	<b>1,049,160</b>	<b>1,494,123</b>	<b>42.4%</b>
Cost of sales	454,478	681,246	49.9%	958,539	1,374,337	43.4%
Selling and distribution expenses	11,550	15,078	30.5%	21,708	25,616	18.0%
Administrative expenses	33,018	48,132	45.8%	68,913	94,170	36.7%

Source: In-house data

## Cost by type of LW Bogdanka S.A. in H1 2023



Source: In-house data

### Costs by nature

In H1 2023, LW Bogdanka S.A. incurred costs by nature of PLN 1,636,233 thousand, i.e. 35.9% (+PLN +432,645 thousand) more than in the corresponding period of 2022. The increase in costs in the period under analysis was mainly due to higher costs of consumption of materials and energy, external services and employee benefits.

### Depreciation and amortization

The value of depreciation increased by 4.8% (to PLN 199,567 thousand) - the value of natural depreciation and amortization increased (by approx. PLN 10 million), which results from the higher value of the construction of longwall galleries depreciated during longwall mining.

### Consumption of materials and energy

The total value of the costs of consumed materials and energy increased by 75.8% compared to H1 2022 and amounted to PLN 615,751 thousand. During the period under analysis, the cost of electricity consumption increased significantly, and the value of materials consumed increased (which is primarily due to an increase in the prices).

### Taxes and charges

The decrease in taxes and charges by approx. PLN 3.6 million is mainly due to a decrease in the mining fee, with a higher value of property tax.

### External services

The value of external services for H1 2023 compared to the corresponding period in 2022 increased from PLN 285,770 thousand to PLN 325,357 thousand (+13.9%). During the period under analysis, the scope of works outsourced to third-party companies changed and prices increased.

### Employee benefits

The value of employee benefits in H1 2023, compared to the corresponding period of 2022, increased by PLN 116,896 million. This is the result of an increase in salaries agreed with the trade unions, disbursement of bonuses for employees and obligatory charges, as well as higher other employee benefits.

### Representation and advertising costs

The increase in the value of representation and advertising expenses by PLN 3.4 million follows from the performance of the current payment schedule under sponsorship agreements.

### Other costs

The increase in other costs by PLN 1.9 million is due to higher compensation for mining damage.

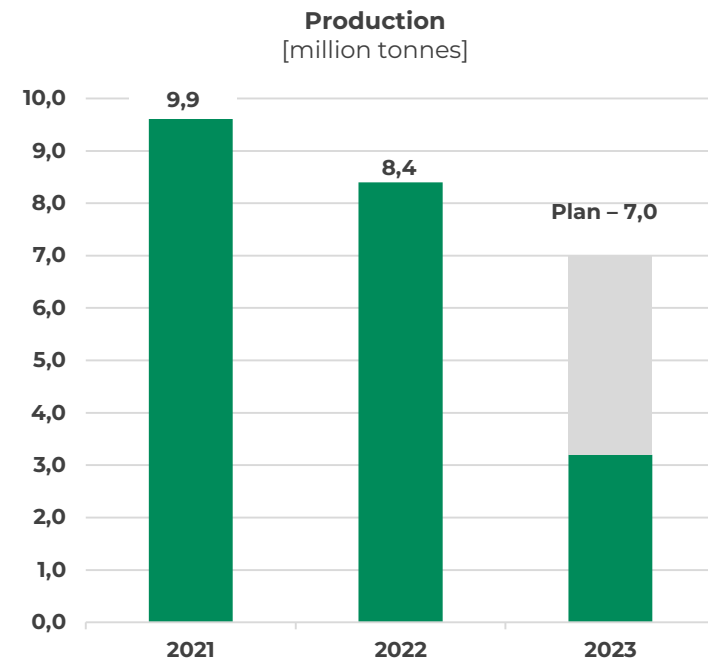
## Production plan update for 2023 – 7.0 million tonnes

### Production and sales in H1 2023

- in IH 2023, production reached 3.3 million tons, sales amounted to 3.1 million tons, in IH 2022 5.6 million tons and 5.2 million tons, respectively

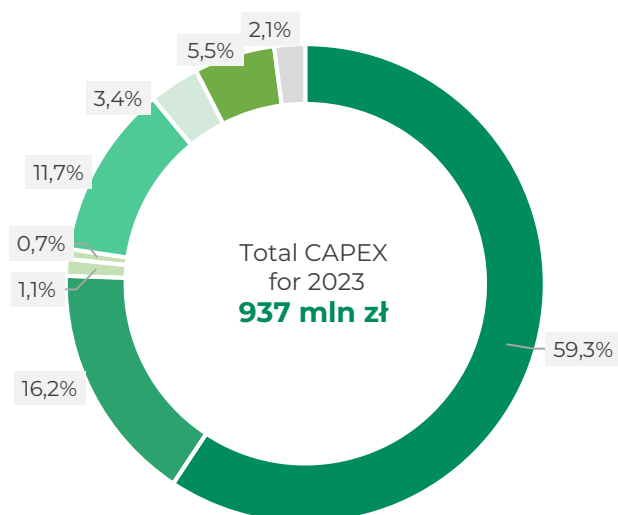
### Production plan for 2023

- production plan for 2023 – 7.0 million tonnes
- at 25.07.2023 r. the Company published an update of the production plan, assuming a reduction in production from 8.3 million tonnes to 7.0 million tonnes



Source: In-house data

## The use of CAPEX in H1 2023 – over PLN 336 million



- New excavations and upgrade of existing ones
- Maintenance of machinery
- Securing new concessions
- Longwall shearers
- Other development investments
- ICT
- Other
- Subsidiaries

Source: In-house data

### Selected items of capital expenditures in the LW Bogdanka Group

[PLN thousand]	TEP 2023	TEP 2023*	TEP actuals H1 2023	Actuals - TEP H1 2023 [%]
New excavations and upgrade of existing ones	456,957	555,885	243,919	43.9%
Maintenance of machinery	179,246	152,139	33,461	22.0%
Securing new concessions	10,588	10,588	4,565	43.1%
Longwall shearers	6,278	6,278	0	0.0%
Other development investments	106,737	109,945	36,726	33.4%
ICT	30,947	31,857	4,239	13.3%
Other	51,289	51,259	13,290	25.9%
<b>TOTAL CAPEX in LW Bogdanka S.A.</b>	<b>842,042</b>	<b>917,951</b>	<b>336,200</b>	<b>36.6%</b>
Łęczyńska Energetyka Sp. z o.o.	8,000	8,000	531	6.6%
MR Bogdanka	1,590	1,590	828	52.1%
RG Bogdanka	9,905	9,905	7,323	73.9%
EkoTrans	0	0	0	0.0%
<b>TOTAL CAPEX in the LW Bogdanka Group</b>	<b>861,537</b>	<b>937,446</b>	<b>344,882</b>	<b>36.8%</b>

\*plan update



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