

# Presentation of results the LW Bogdanka Group Q3 2023, Q1-Q3 2023



## Decrease of coal prices on the global market

### CIF ARA coal prices

- 117.6 USD/t - average CIF ARA coal price in Q3 2023 -67.4% vs. Q3 2022 (360.9 USD/t)
- comparing with the average CIF ARA coal price in Q2 2023 (124.7 USD/t), this is a decrease of 5.7%
- the average price in Q1-Q3 2023 was 129.7 USD/t, down 58.1% (309.5 USD/t in Q1-Q3 2022)

### Inventories in ARA ports

- approx. 7.0 million tons of coal inventories at the end of September 2023 at ARA ports - at the end of June 2023 the inventories stood at 6.3 million tons

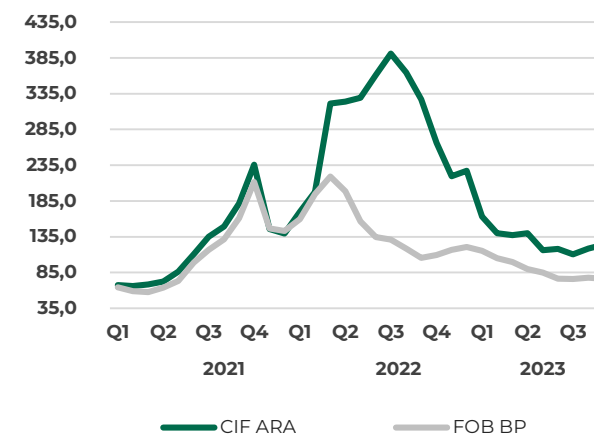


Source: [www.sxcoal.com](http://www.sxcoal.com), [www.polskirynekwegla.pl](http://www.polskirynekwegla.pl)

### Baltic Ports FOB coal prices

- 76.6 USD/t - average Baltic Ports FOB price in Q3 2023 vs. Q3 2022 (118.4 USD/ton) – down by 35.3%
- comparing with the average price in Q2 2023 (83.9 USD/t), this is a decrease of 8.7%
- the average price in Q1-Q3 2023 was 89.0 USD/t, down 44.4% (160.0 USD/t in Q1-Q3 2022)

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



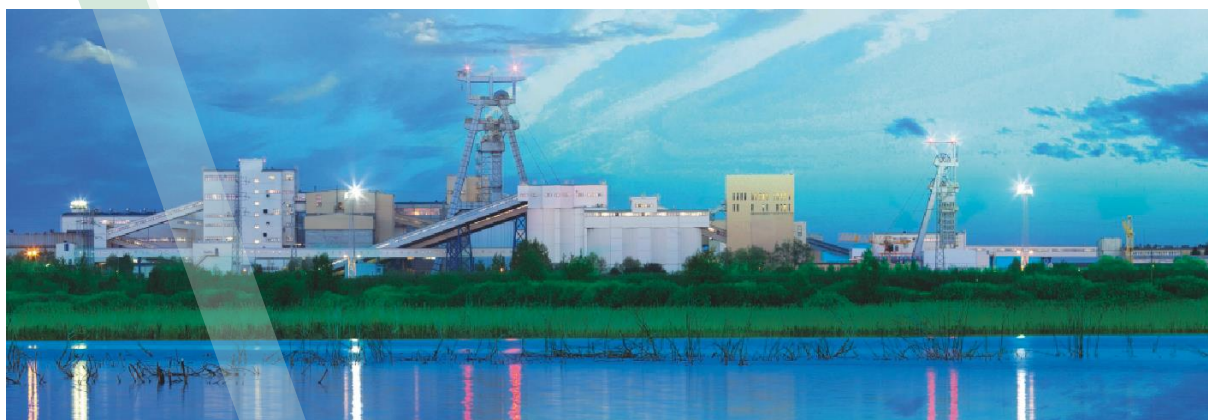
## Increase of thermal coal prices on the domestic market

### Price of fine steam coal

- The average price of fine steam coal for the commercial power sector in Q3 2023 was 32.1 PLN/GJ, the price growth rate was approx. 54.3% compared to Q3 2022 (20.8 PLN/GJ)
- The average price of fine steam coal for the commercial power sector in Q1-Q3 2023 was 31.8 PLN/GJ, the price growth rate was about 102.6% compared to Q1-Q3 2022 (15.7 PLN/GJ)
- The average calorific value of fine coal for the commercial power sector was approx. 21.7 GJ

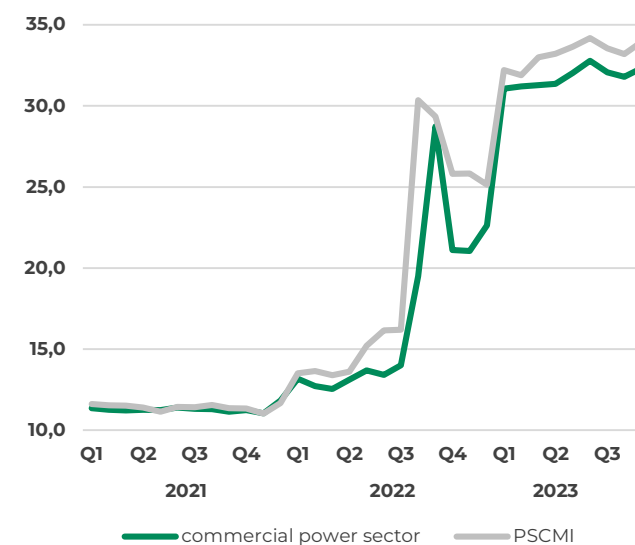
### Prices from the PSCMI index

- The average price from the PSCMI Index in Q3 2023 was approx. 33.6 PLN/GJ, compared to the average price in Q3 2022 (25.3 PLN/GJ), the increase was approx. 32.8%
- The average price from the PSCMI Index in the first 3 quarters of 2023 was approx. 33.2 PLN/GJ, compared to the average price in the first 3 quarters of 2022 (17.9 PLN/GJ), the increase was approx. 85.5%



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 Q1-Q3 2023 compared to Q1-Q3 2022

PERFORMANCE OF POLISH COMPANIES*:	Q3 2022	Q3 2023	Change	Q1-Q3 2022	Q1-Q3 2023	Change
Extraction of thermal coal in domestic coal market (million tonnes)	8.2	8.1	-1.2%	28.9	25.0	-13.5%
Sales of thermal coal in domestic coal market (million tonnes)	8.4	7.6	-9.5%	28.6	22.8	-20.3%
Average cost of coal sold (PLN)	529.3	698.7	32.0%	440.4	671.6	52.5%
<b>COAL PRICES</b>						
Average price of power coal (PLN)	546.1	734.2	34.4%	392.5	749.4	90.9%
Average price of coal sold to commercial power industry (PLN)	426.9	681.5	59.6%	318.1	670.2	110.7%
<b>DEMAND/SUPPLY</b>						
Production of electric power in commercial power plants with the use of hard coal (GWh)*	41,324	38,140	-7.7%	130,441	118,911	-8.8%
Inventories of coal in mines (million tonnes)**	0.5	2.7	440.0%	0.5	2.7	440.0%

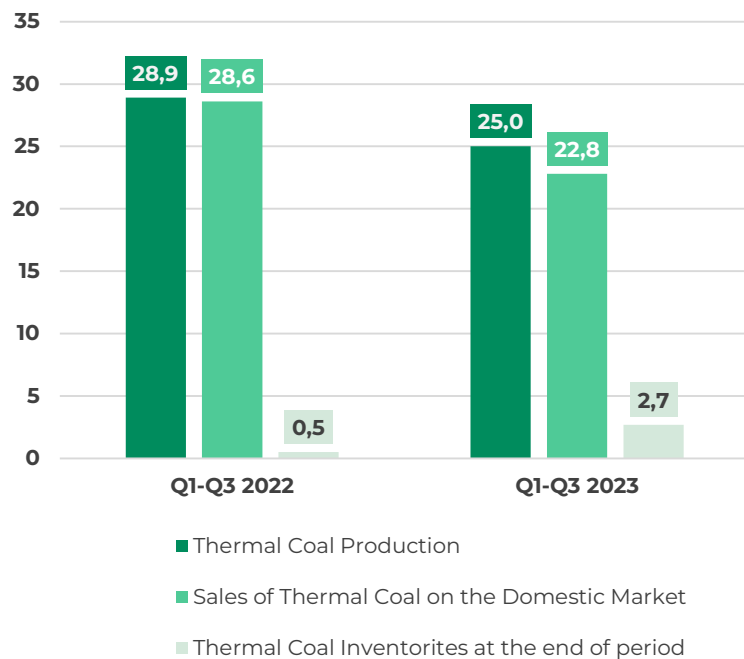
Source ARP

\*PSE S.A.

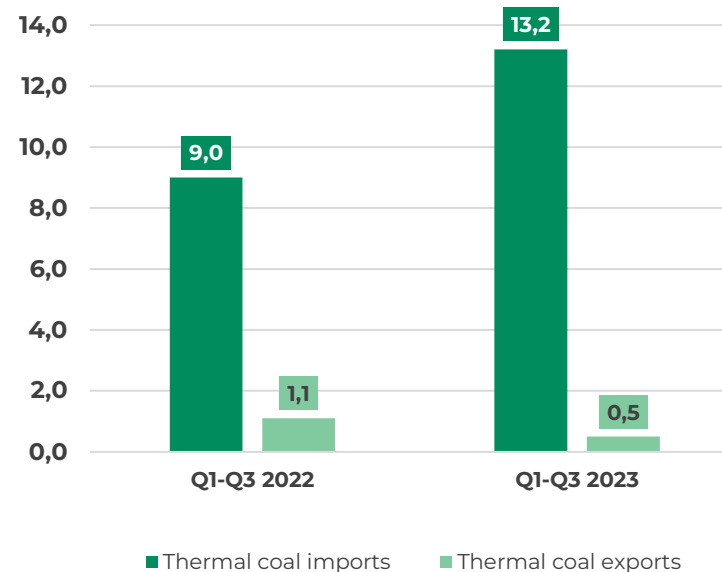
\*\*data do not include Silesia, Siltech, Ekoplus

## Decrease in extraction and sales of thermal coal in Polish mines with increase of inventories, imports at 13.2 million tons

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



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

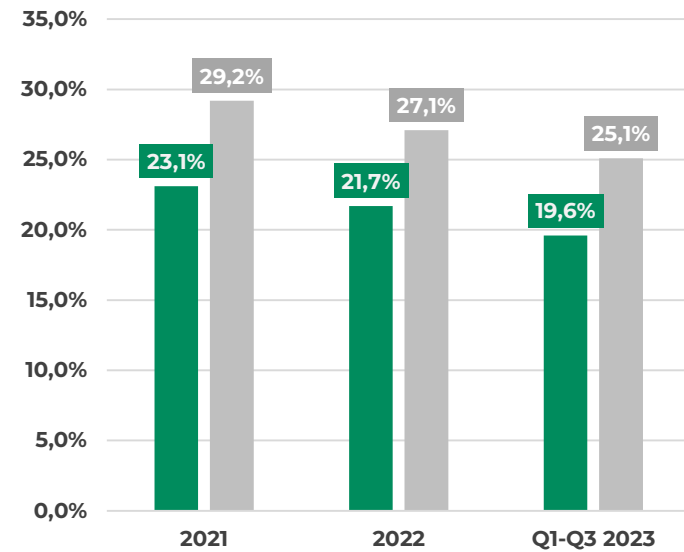


Source: ARP

\* 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

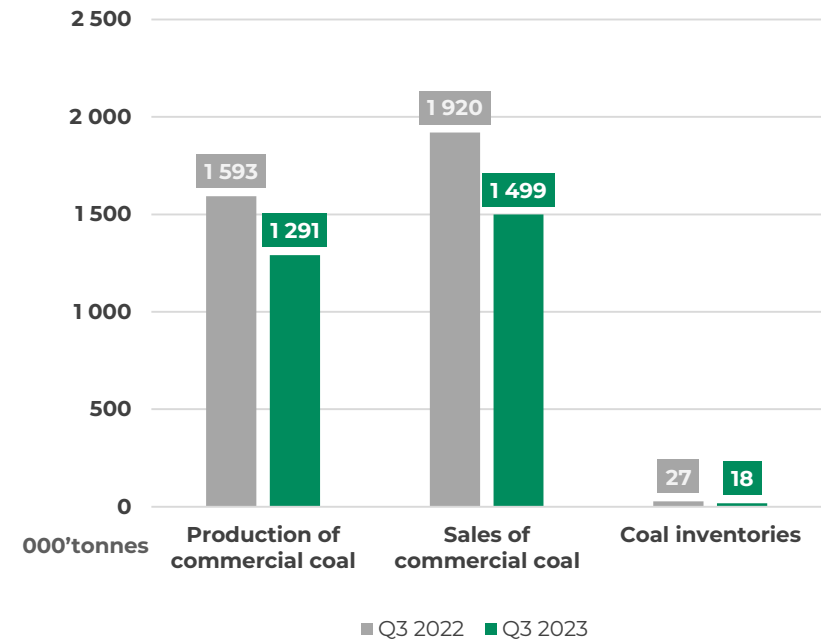
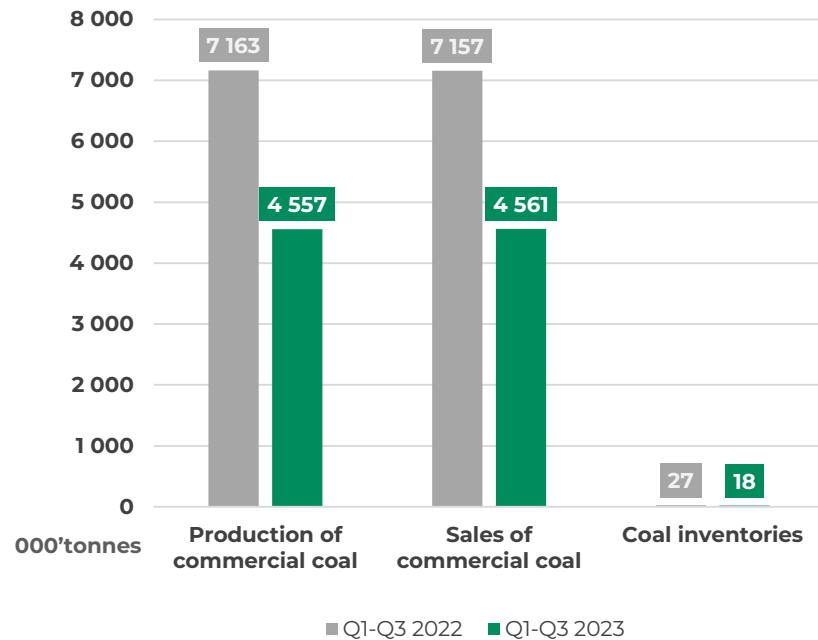
## GK LW Bogdanka - decrease of all operational parameters in Q1-Q3 2023 compared to Q1-Q3 2022 caused by geological and mining problems

Technical and operating data								
[000 tons]	Q3 2022	Q3 2023	Change	Change %	Q1-Q3 2022	Q1-Q3 2023	Change	Change %
Gross coal production	2,596	2,277	-319	-12.3%	10,296	7,930	-2,366	-23.0%
Production of commercial coal	1,593	1,291	-302	-19.0%	7,163	4,557	-2,606	-36.4%
Mining yield (%)	61.4%	56.7%	-4.7 p.p	-7.7%	69.6%	57.5%	-12.1 p.p	-17.4%
Sales of commercial coal	1,920	1,499	-421	-21.9%	7,157	4,561	-2,596	-36.3%
New roadways (km)	6.9	6.1	-0.8	-11.6%	25.2	22.8	-2.4	-9.5%

\*Length of excavations made includes reconstruction works

Source: In-house data

## GK LW Bogdanka - decrease of all operational parameters in Q1-Q3 2023 compared to Q1-Q3 2022 caused by geological and mining problems



Source: In-house data



## Coal yield at a level of 57.5% in Q1-Q3 2023

### Coal Yield

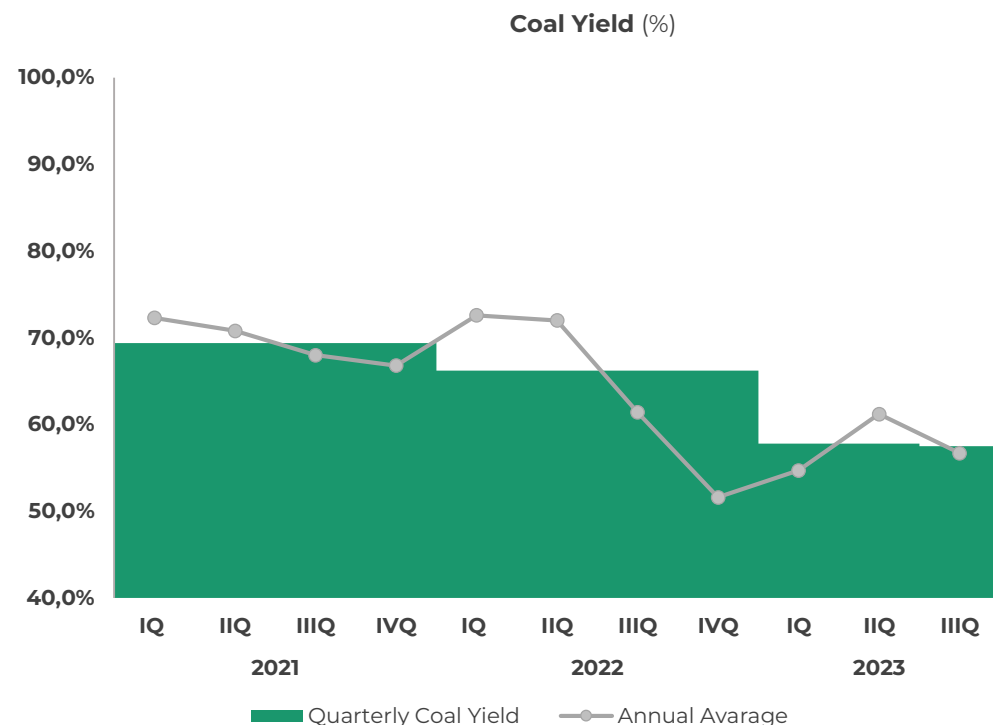
- coal yield in Q3 2023 was about 56.7% and was lower than in Q3 2022 (61.4%) and in Q2 2022 (61.2%)
- average yield in Q1-Q3 2023 was 57.5% compared to 69.6% in Q1-Q3 2022
- the Group's operating results were under pressure from force majeure geological events in late 2022 and during the first half of 2023

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

- in Q3 2023 83.4% of raw coal was obtained from low walls and 16,6% high walls. In the same period of 2022 this ratio was 41.2% compared to 58.8%.
- In Q1-Q3 2023 45.4% of raw coal was obtained from low walls and 54,6% from high walls. In the same period of 2022 this ratio was 15.8% to 84.2%

### Number of production days

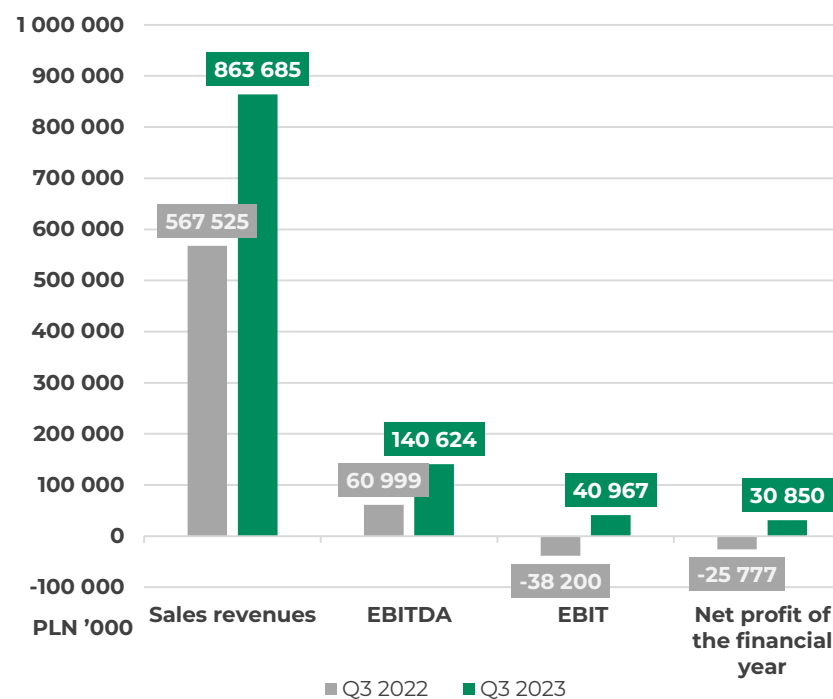
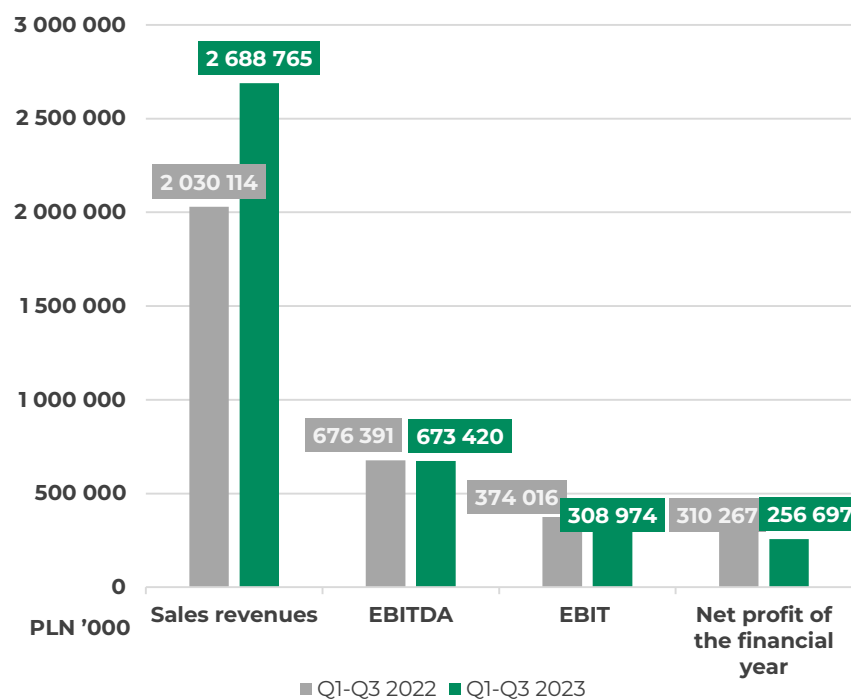
- production in Q1-Q3 2023 was conducted on 230 days, compared to 227 days in the same period Q1-Q3 2022



## Key financial results of the LW Bogdanka Group in Q3 2023 and Q1-Q3 2023

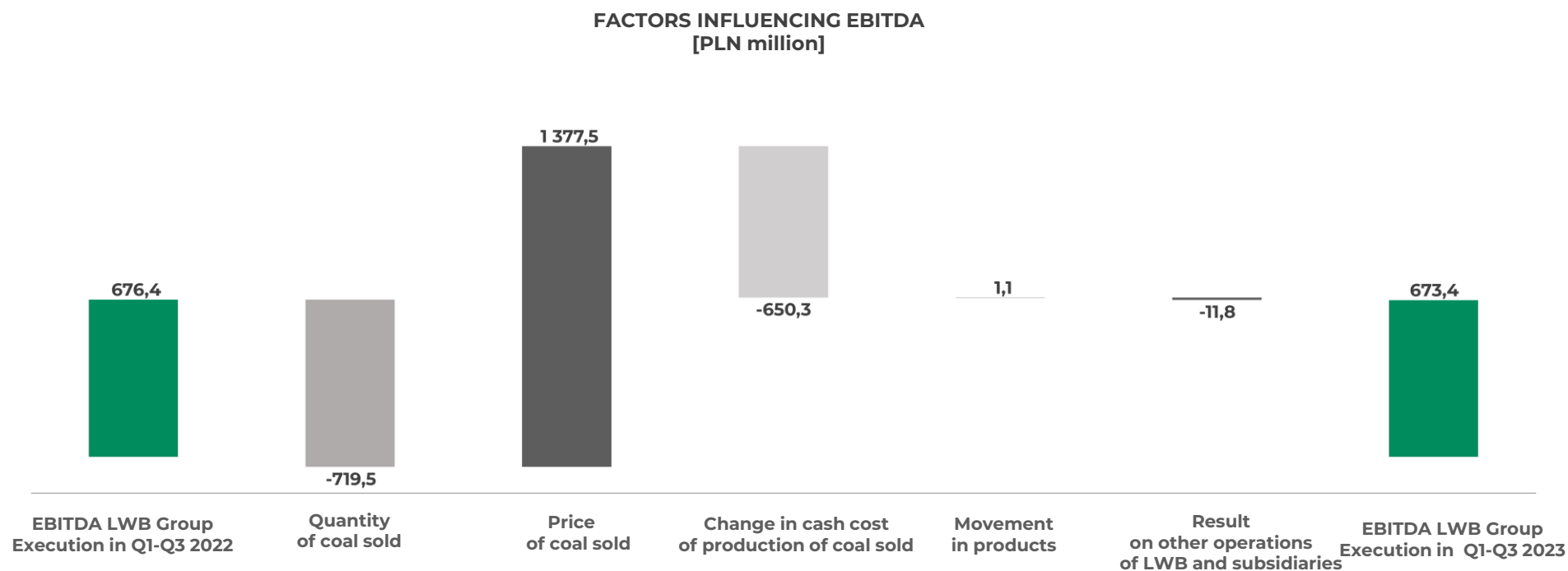
[PLN thousand]	Q3 2022	Q3 2023	Change	Q1-Q3 2022	Q1-Q3 2023	Change
Sales revenues	567,525	863,685	52.2%	2,030,114	2,688,765	32.4%
Cost of products, goods and materials sold, selling and distribution expenses, and administrative expenses	605,703	823,197	35.9%	1,653,533	2,314,467	40.0%
<b>Profit/(loss) on sales</b>	<b>-38,178</b>	<b>40,488</b>	<b>-206.1%</b>	<b>376,581</b>	<b>374,298</b>	<b>-0.6%</b>
Gross sales margin	-6.7%	4.7%	11.4 p.p	18.5%	13.9%	-4.6 p.p
Other revenues	393	1,281	226.0%	1,433	2,658	85.5%
Other costs	415	802	93.3%	1,319	6,571	398.2%
<b>Net operating profit/(loss)</b>	<b>-38,200</b>	<b>40,967</b>	<b>-207.2%</b>	<b>376,695</b>	<b>370,385</b>	<b>-1.7%</b>
Other net losses	258	-6,925	-2,784.1%	-2,679	-61,411	2,192.3%
<b>Operating profit/(loss) (EBIT)</b>	<b>-37,942</b>	<b>34,042</b>	<b>-189.7%</b>	<b>374,016</b>	<b>308,974</b>	<b>-17.4%</b>
EBIT margin	-6.7%	3.9%	10.6 p.p	18.4%	11.5%	-6.9 p.p
<b>EBITDA</b>	<b>60,999</b>	<b>140,624</b>	<b>130.5%</b>	<b>676,391</b>	<b>673,420</b>	<b>-0.4%</b>
EBITDA margin	10.7%	16.3%	5.6 p.p	33.3%	25.0%	-8.3 p.p
Financial income	11,979	9,875	-17.6%	21,364	26,896	25.9%
Financial costs	4,287	6,127	42.9%	11,049	18,692	69.2%
<b>Profit/(loss) before tax</b>	<b>-30,250</b>	<b>37,790</b>	<b>-224.9%</b>	<b>384,331</b>	<b>317,178</b>	<b>-17.5%</b>
Profit margin before tax	-5.3%	4.4%	9.7 p.p	18.9%	11.8%	-7.1 p.p
Income tax	-4,473	6,940	-255.2%	74,064	60,481	-18.3%
<b>Net profit/(loss) of the financial year</b>	<b>-25,777</b>	<b>30,850</b>	<b>-219.7%</b>	<b>310,267</b>	<b>256,697</b>	<b>-17.3%</b>
Net profitability	-4.5%	3.6%	8.1 p.p	15.3%	9.5%	-5.8 p.p

## Key financial results of the LW Bogdanka Group in Q3 2023 and Q1-Q3 2023



Source: In-house data

## EBITDA of the LW Bogdanka Group in Q1-Q3 2023



(-) Lower volume of coal sales

(+) Higher price of coal sold

(-) Higher production costs: higher cost of third-party services and employee benefits, higher prices of materials and electricity

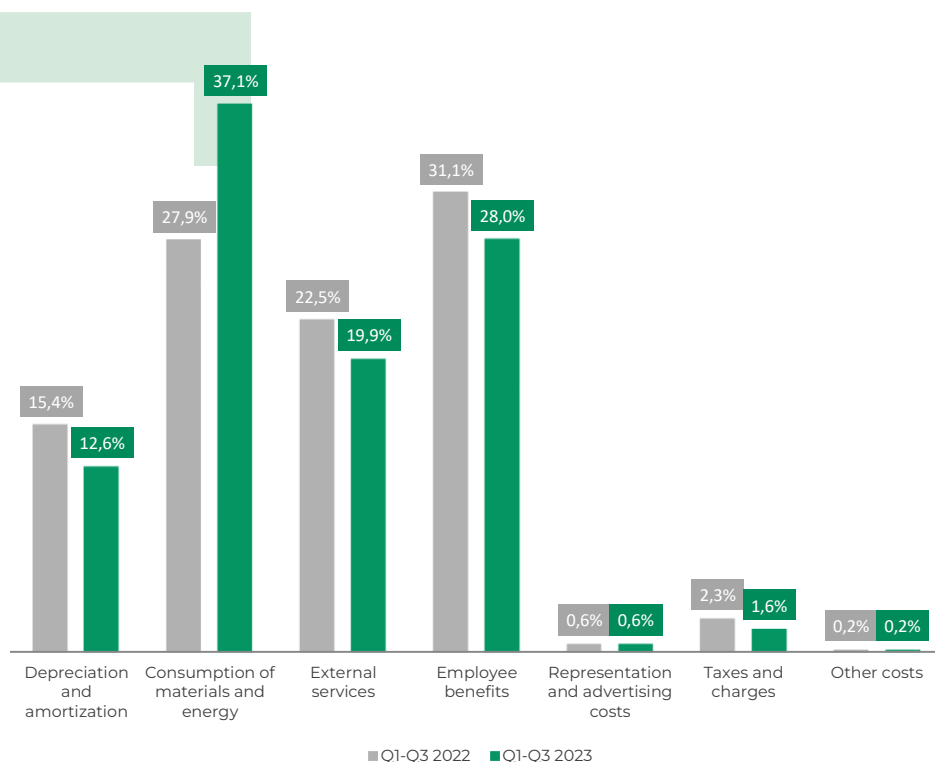
Source: In-house data

## Cost by type of LW Bogdanka S.A. in Q3 2023 and Q1-Q3 2023

[PLN thousand]	Q3 2022	Q3 2023	Change	Q1-Q3 2022	Q1-Q3 2023	Change
Net production [000 tons]	1,593	1,291	-19.0%	7,163	4,557	-36.4%
Sales [000 tons]	1,920	1,499	-21.9%	7,157	4,561	-36.3%
Depreciation and amortization	93,754	106,832	13.9%	284,271	306,399	7.8%
Consumption of materials and energy	165,657	287,111	73.3%	515,894	902,862	75.0%
External services	129,326	158,855	22.8%	415,096	484,212	16.7%
Employee benefits	234,423	223,457	-4.7%	574,160	680,090	18.4%
Representation and advertising costs	5,344	5,580	4.4%	11,973	15,563	30.0%
Taxes and charges	12,944	12,642	-2.3%	41,619	37,705	-9.4%
Other costs	1,428	793	-44.5%	3,451	4,672	35.4%
<b>Total costs by nature</b>	<b>642,876</b>	<b>795,270</b>	<b>23.7%</b>	<b>1,846,464</b>	<b>2,431,503</b>	<b>31.7%</b>
Cost of producing services for the entity's proprietary needs	-100,034	-128,246	28.2%	-298,434	-356,458	19.4%
Accruals	32,648	43,157	32.2%	102,666	76,676	-25.3%
Provisions and other presentation adjustments between expense by nature and by function	-28,440	30,290	-206.5%	-9,488	161,873	-1,806.1%
<b>Total production costs</b>	<b>547,050</b>	<b>740,471</b>	<b>35.4%</b>	<b>1,641,208</b>	<b>2,313,594</b>	<b>41.0%</b>
Change in products	55,352	82,826	49.6%	-1,732	-2,797	61.5%
Cost of goods and materials sold	4,325	2,043	-52.8%	16,411	8,666	-47.2%
<b>Cost of goods sold, including:</b>	<b>606,727</b>	<b>825,340</b>	<b>36.0%</b>	<b>1,655,887</b>	<b>2,319,463</b>	<b>40.1%</b>
Cost of sales	550,872	760,684	38.1%	1,509,411	2,135,021	41.4%
Selling and distribution expenses	17,073	18,318	7.3%	38,781	43,934	13.3%
Administrative expenses	38,782	46,338	19.5%	107,695	140,508	30.5%

Source: In-house data

## Cost by type of LW Bogdanka S.A. in Q1-Q3 2023



Source: In-house data

### Costs by nature

In the first 3 quarters of 2023, LW Bogdanka S.A. incurred costs by nature of PLN 2,431,503 thousand, i.e. 31.7% (+ PLN 585,039 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 7.8% (to PLN 306,399 thousand) – the value of natural depreciation and amortization increased, 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 75.0% compared to the first 3 quarters of 2022 and amounted to PLN 902,862 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 3.9 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 the first 3 quarters of 2023 compared to the corresponding period in 2022 increased from PLN 415,096 thousand to PLN 484,212 thousand (+16.7%). 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 the first 3 quarters of 2023, compared to the corresponding period of 2022, increased by PLN 105,930 thousand. This is the result of an increase in salaries agreed with the trade unions, an award paid to employees along with 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 3.6 million follows from the performance of the current payment schedule under sponsorship agreements.

### Other costs

The increase in other costs by PLN 1.2 million is due to higher compensation for mining damage.

## Production plan for 2023 – 7.0 million tonnes

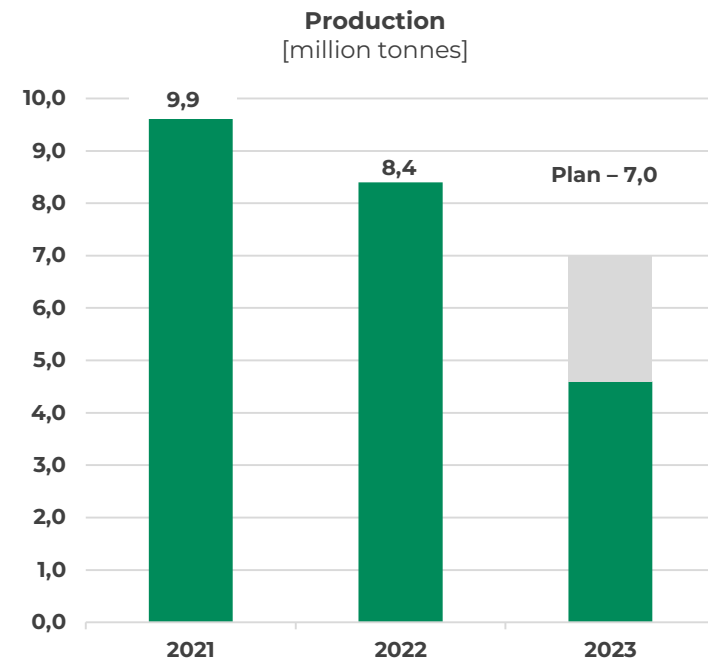
### Production and sales in Q1-Q3 2023

- in Q1-Q3 2023, production and sales amounted to 4.6 million tonnes in Q1-Q3 2022 production and sales were at the level of 7.2 million tonnes

### Production plan for 2023

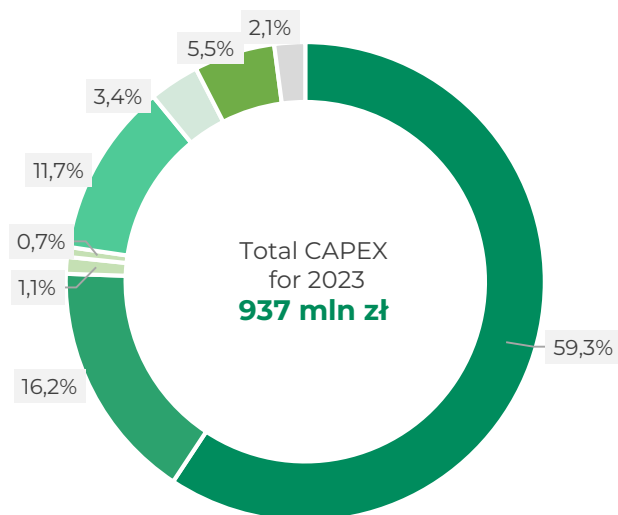
- production plan for 2023 – 7.0 million tonnes
- at 25.07.2023 r. the Company published an update of the production plan, assuming a reduction in production from 8.3 million tonnes to 7.0 million tonnes

Source: In-house data





## The use of CAPEX in Q1-Q3 2023 – over PLN 557 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 Q1-Q3 2023	Actuals - TEP Q1-Q3 2023 [%]
New excavations and upgrade of existing ones	456,957	555,885	368,039	66.2%
Maintenance of machinery	179,246	152,139	68,013	44.7%
Securing new concessions	10,588	10,588	8,179	77.2%
Longwall shearers	6,278	6,278	5,657	90.1%
Other development investments	106,737	109,945	65,869	59.9%
ICT	30,947	31,857	6,853	21.5%
Other	51,289	51,259	23,235	45.3%
<b>TOTAL CAPEX in LW Bogdanka S.A.</b>	<b>842,042</b>	<b>917,951</b>	<b>545,845</b>	<b>59.5%</b>
Łęczyńska Energetyka Sp. z o.o.	8,000	8,000	2,923	36.5%
MR Bogdanka	1,590	1,590	838	52.7%
RG Bogdanka	9,905	9,905	7,882	79.6%
EkoTrans	0	0	0	0.0%
<b>TOTAL CAPEX in the LW Bogdanka Group</b>	<b>861,537</b>	<b>937,446</b>	<b>557,488</b>	<b>59.5%</b>

\*plan update

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