



#### TRANSLATORS' EXPLANATORY NOTE

The English content of this report is a free translation of the registered auditor's report of the below-mentioned Polish Company. In Poland statutory accounts as well as the auditor's report should be prepared and presented in Polish and in accordance with Polish legislation and the accounting principles and practices generally adopted in Poland.

The accompanying translation has not been reclassified or adjusted in any way to conform to the accounting principles generally accepted in countries other than Poland, but certain terminology current in Anglo-Saxon countries has been adopted to the extent practicable. In the event of any discrepancies in interpreting the terminology, the Polish language version is binding.

## Independent Registered Auditor's Report

To the Meeting of Shareholders and Supervisory Board of Lubelski Węgiel „Bogdanka” S.A.

### Report on the audit of annual standalone financial statements

---

#### Our opinion

In our opinion, the accompanying annual standalone financial statements:

- give a true and fair view of the financial position of Lubelski Węgiel “Bogdanka” S.A. (the “Company”) as at 31 December 2023 and the Company’s financial performance and the cash flows for the year then ended in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and the adopted accounting principles;
- comply in terms of form and content with the laws applicable to the Company and Company’s Articles of Association;
- have been prepared on the basis of properly maintained books of account in accordance with the provisions of Chapter 2 of the Accounting Law of 29 September 1994 (the “Accounting Act”).

This opinion is consistent with our additional report to the Audit Committee issued on the date of this report.

#### What we have audited

We have audited the annual standalone financial statements of Lubelski Węgiel „Bogdanka” S.A. which comprise:

- the standalone statement of financial position as at 31 December 2023;
- and the following prepared for the financial year from 1 January to 31 December 2023:
- the standalone statement of profit or loss;
  - the standalone statement of comprehensive income;
  - the standalone statement of changes in equity;
  - the standalone statement of cash flows; and
  - notes to the standalone financial statements containing a description of the adopted accounting principles and other explanatory information.

---

#### Basis for opinion

##### Basis for opinion

We conducted our audit in accordance with the National Standards on Auditing in the wording of the International Standards on Auditing as adopted by the resolution of the National Council of Statutory Auditors (“NSA”) and pursuant to the Law of 11 May 2017 on Registered Auditors, Registered Audit



Companies and Public Oversight (the “Law on Registered Auditors”) and the Regulation (EU) No. 537/2014 of 16 April 2014 on specific requirements regarding the statutory audit of public-interest entities (the “EU Regulation”). Our responsibilities under NSA are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

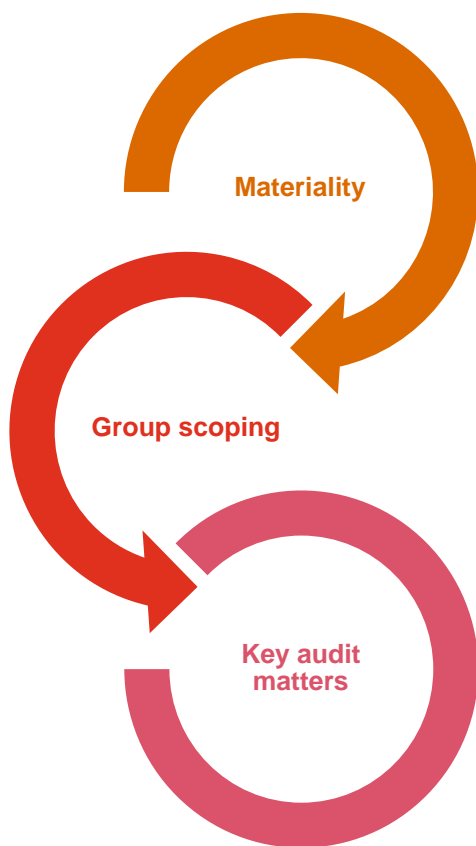
### **Independence**

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted by resolution of the National Council of Statutory Auditors and other ethical requirements that are relevant to our audit of the financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. During the audit, the key registered auditor and the registered audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Registered Auditors and in the EU Regulation.

---

## Our audit approach

### Overview



- 
- The overall materiality threshold adopted for the purposes of our audit was set at PLN 22,450 thousand, which represents 2.5% of EBITDA value in 2021-2023.

- 
- We have audited the annual standalone financial statements of the Company for the period ended 31 December 2023.

- 
- Provisions for liabilities related to the mining activity
  - Test for impairment of fixed assets as at 31 December 2023
-

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the standalone financial statements. In particular, we considered where the Company's Management Board made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

### **Materiality**

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the standalone financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the standalone financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the standalone financial statements as a whole, as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the standalone financial statements as a whole.

---

<b>Overall Company materiality</b>	PLN 22,450 thousand
<b>How we determined it</b>	2.5% of the average EBITDA value in 2021 – 2023. EBITDA is an alternative indicator for result measurement and was defined in the Report on the Company and Group operations in the section "Glossary". The purpose of EBITDA averaging was to determine a standardised measure that could be a basis for determination of the materiality threshold.
<b>Rationale for the materiality benchmark applied</b>	For the Company, EBITDA is the main indicator analysed by, inter alia, shareholders. We adopted materiality at the level of 2.5% as, on the basis of our professional judgement, it falls within the range of acceptable quantitative thresholds applied for the purposes of audit of standalone financial statements of public interest entities.

---

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above PLN 2,245 thousand, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the standalone financial statements of the current period. They include the most significant identified risks of material misstatements, including the identified risks of material misstatement resulting from fraud. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Provisions for liabilities related to the mining activity</b></p> <p>In connection with the type of conducted activity, the Company is obliged to create provisions specific for the mining business. These include, inter alia: provision for costs of liquidation of the mining establishment and provision for costs of reclamation of lands occupied to conduct the business activity which amounted to the total of PLN 169,102 thousand as at 31 December 2023.</p> <p>The value of provisions is a key matter of the audit due to the complexity of assumptions made for the purpose of the calculations as well as the significant value of the balance which is material from the point of view of the standalone financial statements.</p> <p>The Management Board creates provisions using the report prepared by a third-party expert. The amount of the provision is subject to discounting and the corresponding assets are depreciated over the time corresponding to the expected service life of the mine.</p> <p>The accounting policy, details regarding adopted assumptions and calculation of significant estimates as well as other significant information in the scope of provisions for liabilities are included in note 2.18 and 17 of the Company's standalone financial statements. Furthermore, the effect of the change of the estimate to the value of assets is shown in note 2.1.3.</p>	<p>In order to address the identified risk, we gained detailed knowledge regarding the processes related to estimation of provisions for liabilities, adopted assumptions as well as accounting policies applied in this scope.</p> <p>We assessed the assumptions made by the Company for the purposes of calculation of provisions, correctness of input data applied in the calculation (including completeness of components of fixed assets that will be subject to liquidation or reclamation) as well as correctness and completeness of disclosures in the scope of provisions related to the mining activity.</p> <p>We also verified the mathematical correctness of the calculation of provisions as well as correctness of depreciation of assets related to the future costs of liquidation of the mining establishment as well as discount settlement.</p> <p>We also assessed the competences of the expert, in particular, considering whether he has the relevant knowledge, experience and database to estimate in a reliable manner the amount of future costs of liquidation of the mining establishment and land reclamation.</p>
<p><b>Test for impairment of fixed assets</b></p> <p>In the statement of financial position as at 31 December 2023, the Company presents property,</p>	<p>For the purposes of the analysis of the test prepared by the Company, we have obtained a</p>

plant and equipment and intangible assets in the total amount of PLN 3,824 million, which represents 66.9% of the total assets.

Pursuant to IAS 36 "Impairment of Assets", the Management Board of the Company considers the conditions regarding the impairment of fixed assets at the end of the reporting period. For assets for which there are indications of impairment or reduction of a previously recognized write-down, impairment tests are performed at the end of the reporting period.

Based on the analysis of the economic and market situation performed by the Management Board, it was noticed that the current market capitalization of the Company remains for a long time at a level lower than the carrying value of net assets. The Management Board considered this as a condition for conducting the test and determining the recoverable amount.

The impairment test (including cashflows and valuation of the assets subject to testing) has been prepared as of 31 December 2023.

The calculation of the recoverable amount is associated with making a number of assumptions and judgments by the Company's Management Board. These assumptions and judgements concern, among others, the adopted strategy of the Company, financial plans and cash flow forecasts for the coming years, as well as macroeconomic and market assumptions (mainly relating to coal prices and market demand).

In note 5.3. of the standalone financial statements The Company presented the key assumptions used to assess the value in use of the tested fixed assets. As at 31 December 2023, the carrying amount of the assets covered by the test amounted to PLN 3,308 million, while the value of discounted cash flows estimated, based on forecasts, was PLN 3,522 million. On this basis, no impairment provision of fixed assets was recognized by the Company.

detailed understanding of the process of creating cash flow forecasts by the Management Board as well as key estimates and assumptions used in the test.

As part of the audit, we checked the mathematical and methodological correctness of the prepared model of estimated discounted cash flows.

We also conducted an independent assessment of the assumptions and estimates adopted by the Company's Management Board, taking into account, inter alia, our knowledge of the industry and the market, regulatory and macroeconomic situation, which included, among others:

- discount rate used (based on weighted average cost of capital).
- average forecasted sales price of the coal,
- increase in average salary (in real terms),
- annual average level of capital expenditures,
- the period of the forecasted cash flows (based on coal operating resources),
- average annual coal sales volume connected with the production capacity as well as the demand on coal on the domestic and foreign market.

In terms of analysing the discount rate applied, we have used the work of our internal experts (PwC Capital Markets & Accounting Advisory Services).

Our procedures also included assessing the analysis, carried out by the Management Board, of the model's sensitivity to changes in key assumptions that may affect the valuation result.

In addition, we verified the correctness and completeness of disclosures in the standalone financial statements.

---

## Responsibility of the Management and Supervisory Board for the standalone financial statements

The Management Board of the Company is responsible for the preparation, based on the properly maintained books of accounts, of the annual standalone financial statements that give a true and fair view of the Company's financial position and results of operations, in accordance with International Financial Reporting Standards as adopted by the European Union, the adopted accounting policies, the applicable laws and the Company's Articles of Association, and for such internal control as the Management Board determines is necessary to enable the preparation of standalone financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, the Company's Management Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Company's Management Board and members of the Supervisory Board are obliged to ensure that the standalone financial statements comply with the requirements specified in the Accounting Act of 29 September 1994 ("the Accounting Law"). Members of the Supervisory Board are responsible for overseeing the financial reporting process.

---

## Auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the NSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these financial statements.

The scope of the audit does not include an assurance on the Company's future profitability nor the efficiency and effectiveness of the Company's Management Board conducting its affairs, now or in future.

As part of an audit in accordance with NSA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Management Board.

- Conclude on the appropriateness of the Company's Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

---

## Other information, including the report on the operations

### Other information

Other information comprises:

- a Report on the Company and Group Lubelski Węgiel Bogdanka ("Group") operations in which the parent entity is Lubelski Węgiel "Bogdanka" S.A. for the financial year ended 31 December 2023 ("the Report on the operations") and the corporate governance statement and the statement on non-financial information referred to in Article 49b(1) and Article 55(2b) of the Accounting Act which are separate parts of the Report on the operations,
- other documents included in the Annual Report for the year ended 31 December 2023 ("Annual Report"),

(together "Other Information"). Other information does not include the standalone financial statements and our auditor's report thereon.

### Responsibility of the Management and Supervisory Board

The Management Board of the Company is responsible for the preparation of the Other Information in accordance with the law.

The Company's Management Board and the members of the Supervisory Board are obliged to ensure that the Report on the operations of the Company and Group including its separate parts and a



consolidated statement of payments for public administration complies with the requirements of the Accounting Law.

### **Registered auditor's responsibility**

Our opinion on the standalone financial statements does not cover the Other Information.

In connection with our audit of the standalone financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the information in the standalone financial statements of the Company and consolidated financial statements of the Group, our knowledge obtained in our audit, or otherwise appears to be materially misstated. If, based on the work performed, we identified a material misstatement in the Other Information, we are obliged to inform about it in our audit report. In accordance with the requirements of the Law on the Registered Auditors, we are also obliged to issue an opinion on whether the Report on the operations of Company and Group has been prepared in accordance with the law and is consistent with information included in annual standalone financial statements and consolidated financial statements.

Moreover, we are obliged to issue an opinion on whether the Company and Group provided the required information in its corporate governance statement and to inform whether the Company and Group prepared a statement on non-financial information.

### **Statement on the Other information**

We declare, based on the knowledge of the Company and its environment obtained during our audit, that we have not identified any material misstatements in the Report on the operations of the Company and the remaining Other information.

### **Opinion on the Report on the operations**

Based on the work we carried out during our audit, in our opinion, the Report on the operations of the Company and Group:

- has been prepared in accordance with the requirements of Article 49 of the Accounting Act and para. 70 and para. 71 of the Regulation of the Minister of Finance dated 29 March 2018 on current and periodical information submitted by issuers of securities and conditions for considering as equivalent the information required under the legislation of a non-Member State ("Regulation on current information");
- is consistent with the information in the standalone financial statements and consolidated financial statements.

Moreover, based on the knowledge of the Company and Group and its environment obtained during our audit, we have not identified any material misstatements in the Report on the operations of the Company and Group and the remaining Other information.

### **Opinion on the corporate governance statement**

In our opinion, in its corporate governance statement, the Company and Group included information set out in para. 70.6 (5) of the Regulation on current information. In addition, in our opinion, information specified in paragraph 70.6 (5)(c)–(f), (h) and (i) of the said Regulation included in the corporate governance statement are consistent with the applicable provisions of the law and with information included in the standalone financial statements and consolidated financial statements.

### **Information on non-financial information**

In accordance with the requirements of the Act on the Registered Auditors, we confirm that the Company and Group have prepared a statement on non-financial information referred to in Article 49b(1) and Article 55(2b) of the Accounting Act as a separate section of the Report on the operations of Company and Group.

We have not performed any assurance work relating to the statement on non-financial information and we do not provide any assurance with regard to it.

---

## **Report on other legal and regulatory requirements**

### **Statement on the provision of non-audit services**

To the best of our knowledge and belief, we declare that the non-audit services we have provided to the Company and its subsidiaries are in accordance with the applicable laws and regulations in Poland and that we have not provided any non-audit services prohibited under Article 5(1) of the EU regulation and Article 136 of the Law on Registered Auditors.

The non-audit services which we have provided to the Company and its subsidiaries during the audited period are disclosed in the Report on the Company and Group operations (chapter 1, page 52).

### **Appointment**

We were first appointed to audit the annual standalone financial statements of the Company by resolution of the Supervisory Board dated 5 January 2018 and re-appointed by resolutions dated 24 March 2021 and 29 May 2023. We have been auditing the Company's standalone financial statements without interruption since the financial year ended 31 December 2018, i.e. for six consecutive years.

The Key Registered Auditor responsible for the audit on behalf of PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k., a company entered on the list of Registered Audit Companies with the number 144., is Tomasz Zieliński.

Tomasz Zieliński  
Key Registered Auditor  
No. 13587

Warsaw, 19 March 2024