



Current Report No. 28/2024

Date of preparation: 27 August 2024

Subject: Information on the inclusion of the results of asset impairment tests in the financial statements for H1 2024

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

Content:

The Management Board of Lubelski Węgiel Bogdanka S.A. (hereinafter "Company") hereby reports that in connection with the completion of the work related to the asset impairment test in accordance with the requirements of IAS 36 *Impairment of Assets*, on 27 August 2024 a decision was made to write down the carrying amount of assets.

The results of the test indicate that a write-down of the carrying value of assets in the amount of PLN 1,174 million is necessary. The value of the asset impairment write-down will be charged to operating profit but it will not have impact on EBITDA.

At the same time, the Company notes that the above operations are of an accounting nature and do not affect its liquidity position.

Asset impairment tests were conducted due to the dynamically changing situation in the domestic coal market. Currently, there is a clear trend of increasing the generation capacity of renewable energy source (RES) units, which directly affects the demand for coal. The growing importance of RES in Poland's energy mix, as well as the gradual shutdown of coal-based generating units planned for the long term and their conversion to other energy sources, leads to a decrease in the share of energy produced from coal, which is a consequence of the climate policy assuming progressive decarbonization of the Polish economy. This process is forcing companies operating in the coal sector to review existing strategies and adapt them to the changing market realities.

The above market situation, as well as the Company's long-standing market capitalization well below its book value, contributed to the need to carry out asset impairment tests to ensure that the asset valuation reflects current market conditions and future prospects for the coal sector.

Regardless of the above, the Company is actively working with coal buyers both at home and abroad to ensure coal sales in the long term. At the same time, the Company is carrying out optimization activities aimed at leveraging its competitive advantages while taking into account the dwindling supply of domestic coal.

In addition, in view of the aforementioned changes in the market and the resulting sales prospects, the Company has begun work on updating its Strategy, which is expected to be announced by the end of 2024.