



兖矿能源集团股份有限公司
YANKUANG ENERGY GROUP COMPANY LIMITED

Interim Results Presentation 2023

Disclaimer

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Agenda

Part 1 Operation Review of 1H2023

Part 2 Market Analysis of Key Products

Part 3 Operation Strategies for 2H2023

Part 1 Operation Review

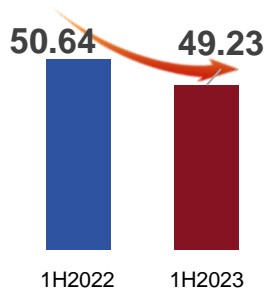
-  **Businesses gather momentum for better performance**
-  **Efficiency raised through lean management**
-  **Output and efficiency improved through business synergy**
-  **Significant increase in resource reserves**
-  **Business mix optimized**
-  **Enterprise value fully manifested**

Businesses gather momentum for better performance

Production volume of salable coal
Q2 2023
+18.5% QoQ

↓ 2.8%
YoY

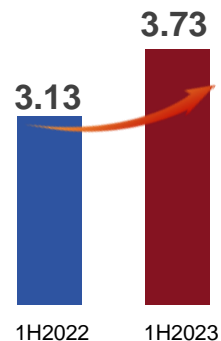
(mn tonnes)



Production volume of coal chemicals
3.73 mn tonnes

↑ 18.9%
YoY

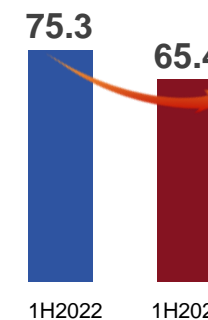
(mn tonnes)



Sales revenue
RMB65.4 bn

↓ 13.1%
YoY

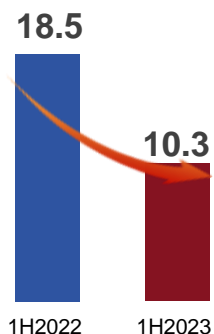
(RMB bn)



Net profit
RMB10.3 bn

↓ 44.1%
YoY

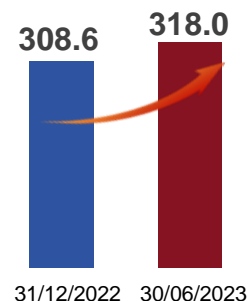
(RMB bn)



Total assets
RMB318.0 bn

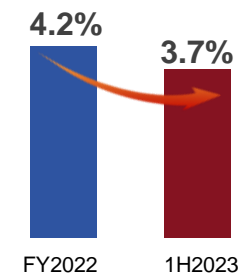
↑ 3%
vs
31/12/2022

(RMB bn)



Average cost of finance
3.7%

↓ 0.5 p.p.
vs 2022



(Prepared in accordance with IFR Standards)

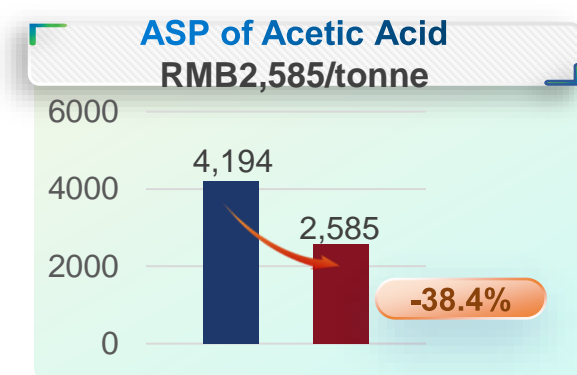
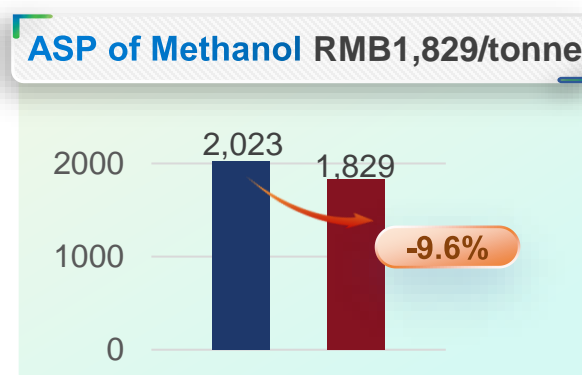
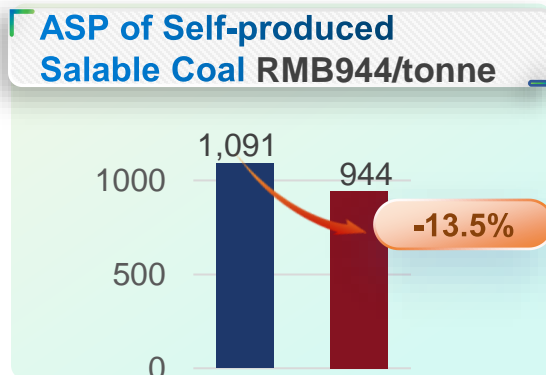
Efficiency raised through lean management

Sales Volume & ASP of Major Products

(Prepared in accordance with IFR Standards)

0000' tonnes; RMB/tonne

	Volume			Change (%)	Price		
	1H 2023	1H 2022			1H 2023	1H 2022	Change (%)
Self-produced salable coal	4,392	4,684	-6.2%	944	1,091	-13.5%	
Methanol	174.3	156.8	11.1%	1,829	2,023	-9.6%	
Acetic acid	36.5	32.7	11.4%	2,585	4,194	-38.4%	



Efficiency raised through lean management (cont'd)

Unit Cost & GP Margin of Major Products

(Prepared in accordance with IFR Standards)

RMB/tonne

		1H 2023	1H 2022	Change
Self-produced Salable coal	Unit Cost	390	328	19.1%
	GP Margin	58.7%	70.0%	-11.3 p.p.
Methanol	Unit Cost	1,864	1,940	-3.9%
	GP Margin	-1.9%	4.1%	- 6.0 p.p.
Acetic acid	Unit Cost	2,571	2,703	-4.9%
	GP Margin	0.6%	35.6%	- 35.0 p.p.



Unit Cost of Self-produced Coal in Q2 2023

- 9.3% QoQ

Unit Cost of Methanol

RMB1,864/tonne

- 3.9% YoY

Unit Cost of Acetic Acid

RMB2,571/tonne

- 4.9% YoY

Output and efficiency improved through business synergy



Synergy

- Enhance the synergy between high-end chemicals and coal-fired power businesses
- Collaboratively supplied **5.95 mn** tonnes of coal for the chemical business and **3.15 mn** tonnes of coal for internal power generation



Maximize the potential of idle assets

- Unlocked the value of idle assets worth **RMB100 mn**



Internal procurement

- Improved the quality of self-produced equipment in an effort to outperform competitive products
- Amount of internal procurement: **RMB800 mn**

1 Overview of the acquisitions

Acquired 51% equity interest in each of Luxi Mining and Xinjiang Energy for a total consideration of RMB26.4 bn
Acquisitions are expected to be **completed in Q3 2023**

2 Overview of the assets

Coal reserves: approx. **25.6 bn tonnes**
Recoverable reserves: approx. **16.5 bn tonnes**
Approved annual production capacity: **39.89 mn tonnes**

3 Benefits of the acquisitions

Increase the production volume of salable coal by approx. **30 mn tonnes**
Increase the combined annual production capacity of the target companies to over **60 mn tonnes** within 5 years
Commitment of **RMB15.4 bn of net profit after deduction of extraordinary items** in the next 3 years

Business mix optimized

Mining

First batch of national intelligent demonstration coal mines all passed the acceptance assessment

5 mines

Newly built intelligent mining and excavation faces

Nine

Obtained safety production license

Yingpanhao coal mine

Promote the implementation of green backfill mining to increase production volume

1.2 mn tonnes



High-end chemicals and new materials

Completed the main structure of the integrated energy saving and carbon reduction project for the caprolactam production facility

Lunan Chemicals

DMMn project with a capacity of 100,000 tonnes is steadily producing qualified products

Yulin Neng Hua



New energy

- 100,000 kW shared energy storage project
- A number of distributed photovoltaic projects
- Seek Offshore wind power project

Within Shandong Province

- Obtained a production quota of 840,000 kW for wind, solar and other renewable energy businesses
- Smooth progress in projects such as the integrated operation of power generation, transmission, distribution and storage in Shaanxi, Inner Mongolia and Xinjiang

Outside Shandong Province



Business mix optimized (cont'd)

High-end equipment manufacturing

Phase I of Luxi
Intelligent Manufacturing
Park

**Construction
completed**

First batch of six JVs will
be put into operation by
the end of 2023

**Put into
operation**



Smart logistics

Consolidation of equities
in railway projects

**Completed
4 projects**

Sihekou Port for Jisan
Coal Mine

**Construction
completed**



Enterprise value fully manifested

Generous returns and value sharing

2022 Dividend	Cash dividend	RMB43 / 10 shares
	Bonus shares for every 10 shares	5 shares
	Payout ratio	70%
	Dividend payout amount	RMB21.3 bn



Dividend policy for 2023-2025:

- Total cash dividend shall account for **60%** of the net profit after deducting statutory reserves for the year; and
- No less than RMB0.5 per share

Sustainable development and aggregation of values



Disclosure of ESG reports for 15 consecutive years



Awarded China's first ESG Management System Certification

Part 2 Market Analysis of Key Products

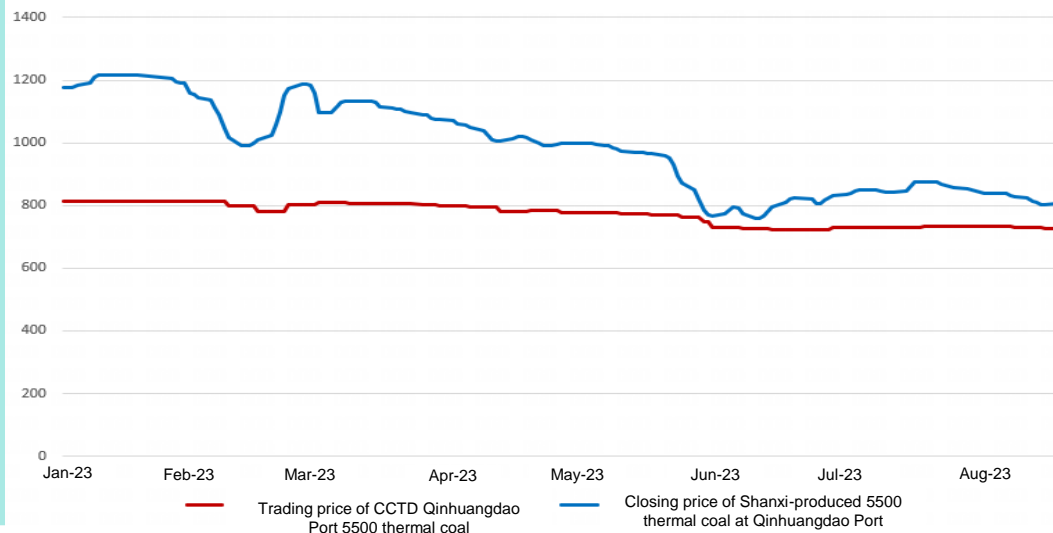


Analysis of coal market



Analysis of coal chemical market

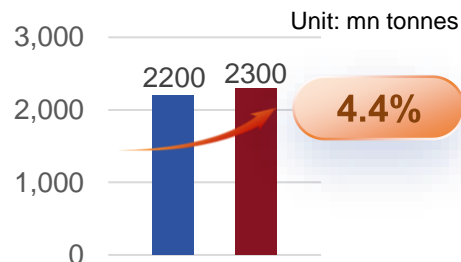
Domestic Coal Price (RMB/tonne)



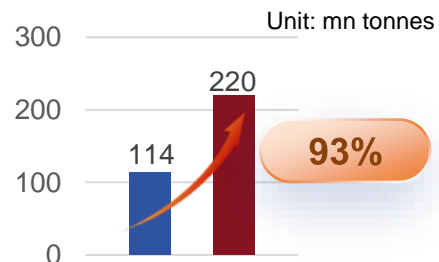
Coal price bottomed out and fluctuated in 1H2023

- Supply and demand were basically balanced with supply exceeding demand slightly
- Coal price bottomed out and fluctuated

Raw coal output

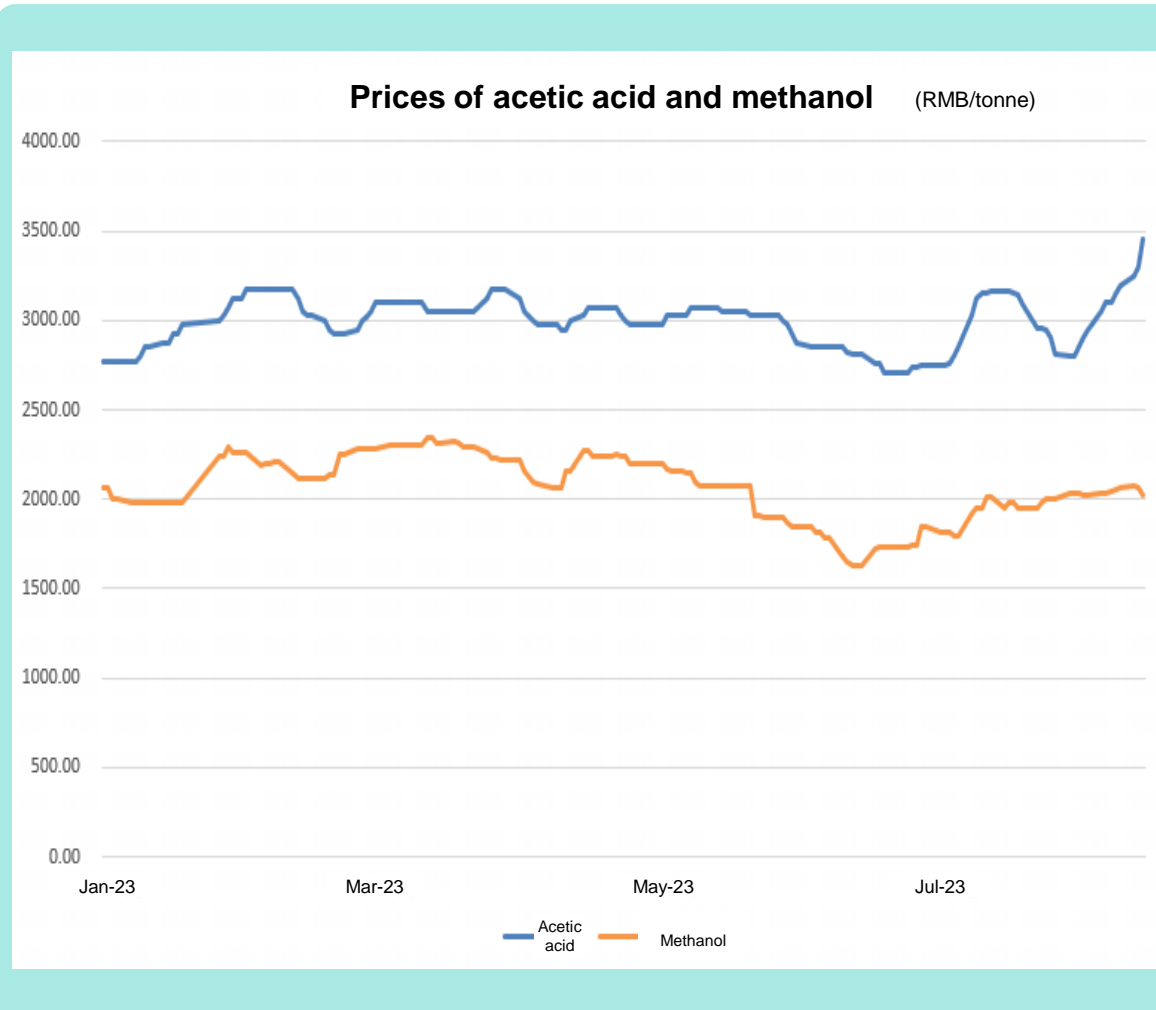


Coal imports



Coal price will fluctuate wildly in 2H2023

- Supply and demand will remain basically balanced
- Coal price will fluctuate wildly at the middle and high levels after the market correction






Prices of coal chemicals were depressed in 1H2023

- Sluggish demand from downstream industries and excess supply of key products weighed on the prices of the Group's key chemicals such as methanol and acetic acid in 1H2023

Prices of coal chemicals will fluctuate and remain depressed in 2H2023

- Only small increase in methanol production capacity can mean growth in imports
- Growth in both supply of and demand for acetic acid
- Overhauls of production facilities were mainly done in 1H2023; production capacity is expected to come on stream steadily

Part 3 Operation Strategies for 2H2023

-  **Upgrade and optimize operations to ensure increases in output and revenue**
-  **Deepen lean management to unlock potential and raise efficiency**
-  **Unleash potentials of resource reserves to add impetus to business growth**

Upgrade and optimize operations to ensure increases in output and revenue

Mining



Annual production capacity of salable coal: **130 mn tonnes**;
Planned sales volume of existing coal mines: **100 mn tonnes**

Advance the release of production capacity in domestic mines and accelerate the resumption and increase of production capacity in Australia

Capital, technology, and other advantageous resources are being concentrated in Luxi Mining and Xinjiang Energy

Planned sales volume of newly acquired coal mines: approx. **30 mn tonnes**

High-end Coal Chemicals



Enhance organization, techniques, operation and management of production to ensure safe, stable operation at full capacity for the long term

Press on with flexible production by allocating more capacity for the production of bestselling and high value-added products

Coal chemical output



Y-o-Y increase of

10%

High-end coal chemicals



Proportion in total output:

20%

Upgrade and optimize operations to ensure increases in output and revenue (cont'd)



New energy

- Advance the quota application and project construction in parallel
- First batch of more than ten self-owned distributed photovoltaic and energy storage projects gradually started operation

High-end equipment manufacturing

- Strive to achieve the targets of production volume and efficiency within 3 years, forming a business scale of **RMB4 bn~5 bn**



Smart logistics

- Comprehensively integrate logistics assets
- Accelerate the construction of the dedicated railway for the coal mines in Shaanxi and Inner Mongolia, and the Logistics Park at Tai'an Dongping Port will be put into operation in Sep
- Innovate the business model of “**production, sales, storage, distribution, and transportation**” to extend business value chain and achieve synergy

Deepen lean management to unlock potential and raise efficiency



Reduce cost and control expenses

- Establish a cross-organizational compensation and performance evaluation system targeting 10 key projects

- Cost of coal sales per tonne to be reduced by **>5%** in 2023 by the same standards for comparison
- Financial expenses to be **decreased by >RMB1.5 bn** by the same standards for comparison

Unlock potential and raise efficiency

- Unlock the value of idle assets, deepen lean management of the supply of materials

- **RMB1.5 bn** in value to be unlocked from idle assets in 2023
- **65%** of storage capacity to be reserved for emergency supplies
- Overall procurement costs to be cut by **5%**

Increase profitability of sales and marketing

- Develop further the regional markets with great demand for high-priced products and with good logistics facilities and services
- Firmly pursue **the strategy of “Clean coal + Customization”**

- Clean coal to account for **50%** of the Group’s output within Shandong province

Unleash potentials of resource reserves to add impetus to business growth

01

Enhance technology R&D capability

- Aim for breakthroughs in key technologies e.g., the adoption of smart technology in coal mining and develop technology for clean and efficient use of coal
- Aim for a **10% increase** in both R&D expenses and the no. of patents of invention

02

Enhance capital operation capability

- Press on with two-pronged strategy of business operation and capital operation
- Plan for acquisition of a batch of resources and plan for a batch of key projects

03

Enhance the value creation capability

- Strengthen mainstay business, ensure good corporate governance, efficient communication, generous remuneration for hard work as measures of value management
- Adopt ESG concept and measures in development



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Thank You