

Bogdanka, 20 March 2014

Ladies and Gentlemen,

It is my pleasure to present to you the annual report of LW BOGDANKA S.A. for 2013.

It was another year in which our Company generated growth in terms of both extraction and financial results, although the mining industry in Poland faced some difficulties which caused a decline in extraction and an increase in stock levels in Silesian mines.

LW BOGDANKA achieved extraction of 8.35 million tonnes, which represents an increase of 7.2% compared to 2012. Although this was the highest level of extraction ever generated in LW BOGDANKA's history, it was slightly below our expectations. This was attributable to difficult geological conditions which we faced in the 4th quarter of 2013.

The achieved extraction and sales levels are reflected in the Company's strong market position. As at the end of 2013, our market share in the Polish power coal market and the market of power coal for commercial power industry reached 14.8% and 19.3, respectively.

More importantly, we ended 2013 with financial results which were record-breaking in the Company's history: revenue reached as much as PLN 1.9 billion (increase of 3.5%), EBITDA amounted to PLN 747.6 million (increase of 9.3%), while EBIT equalled PLN 422.1 million (increase of 8.9%). Net profit totalled PLN 326.5 million (increase of 6.6%).

In the first half of 2013 we set ourselves the strategic objectives for 2013-2020. The milestones of our strategy include the completion by 2015 of the investment programme aimed at doubling the production capacity and increasing two-fold the Company's operating resources in the Lublin Coal Basin, thus extending the mine's operating life to around 2050. As a result of increasing the extraction, the Company's intention is to reach a share of 20% in the market of power coal sales in Poland by 2015.

We also want to remain the leader of efficiency in the mining industry by, among other things, building a "smart mine." It will be possible thanks to continued development of the coal deposits management system and further application of information technology and automation solutions for the production process in the Company. Combined with continuous improvements in organisation of work and development of outsourcing, this should result in lowering the unit mining cash cost by 15% to 2017 (in real terms).

We have announced our dividend policy for the upcoming years. In accordance with the policy, we will allocate 60% of the consolidated net profit in 2013-2015 for the payment of dividends.

The level of production at the beginning of 2014 meets our expectations. The analysis of the market shows that we might be facing another difficult year in the industry. This may manifest itself for example in terms of prices, although there was a visible slight increase in demand for power coal, mainly in the 4th quarter of 2013.

I am confident that LW BOGDANKA, as the most effective and advanced mine in Poland, has all the potential to once again deal with challenging market conditions. Therefore, we expect our coal extraction in 2014 to go up by at least 1 million tonnes as compared to 2013 and we intend to be able to consistently pursue other strategic objectives.

What we do and how we do it is being recognised and appreciated by the mining industry in Poland, which is a matter of special pride for us. One example for that is the fact that LW BOGDANKA has for a tenth time received an accolade in a contest for the "Mine of the Year" organised by the Mining Chamber of Industry and Commerce (*Górnicza Izba Przemysłowo-Handlowa*) and was also honoured with the first prize in the contest for the "Best Mine of 2013" organised by the School of Underground Exploitation (*Szkoła Eksploatacji Podziemnej*).

In 2014 LW BOGDANKA will continue to take on new challenges and pursue its development strategy. Our priorities invariably are the strengthening of our market position in a long-time perspective and further building of LW BOGDANKA's goodwill for its Shareholders.

Yours faithfully,

Zbigniew Stopa

President of the Management Board of LW BOGDANKA S.A.