

Investors presentation

1-3Q 2011

Warsaw, 9 November 2011



LUBELSKI WĘGIEL
„BOGDANKA”
SPÓŁKA AKCYJNA

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Effectiveness leader



- One of **the largest and most state-of-the-art hard coal mines** in CEE,
- Producer of power coal used for production of electricity,
- **Recoverable resources: 247 million metric tonnes** of coal (current licence ensures the mine's life until 2034), LW BOGDANKA S.A. initiated a procedure to acquire the rights to geological information regarding deposits (K – 6, K – 7)
- **Good geographic location** (Lublin Coal Basin) for major customers (location advantage) and **good natural conditions** (low recultivation costs, regular geological structure and low threat of crumps and methane explosions),
- **Cutting-edge technologies** and world-class machinery used in the process of hard coal extraction – low **failure rate**, no unscheduled stoppages, and high **extraction efficiency**,
- Continued implementation of the investment programme aimed at **doubling the output capacity** and a significant **increase in the extraction efficiency**,
- **Experienced Management Board** working for many years in the hard coal industry.

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Situation of Polish coal market in 3Q 2010



- In 2011 an increase in demand for power coal on the domestic market is observed. Coal reserves on mounds have decreased significantly.
- An average price of power coal (in all sizes) in the period between January and September 2011 amounted to PLN 276.79 per tonne and was higher by 10.60% in comparison with the analogous period of the previous year.
- Situation of Silesian companies:
 - ✓ Extraction of hard coal in the Silesian companies in the first three quarters of 2011 amounted to 52.14 million tonnes and was higher by 0.14% in comparison with the analogous period of the previous year. Included in this result was the extraction of power coal which amounted to 43.61 million tonnes and was higher by 0.65% than in 2010.
 - ✓ Stock of hard coal in mines as at the end of September 2011 amounted to 1,809,300 tonnes which represents a decrease in comparison with the analogous period of the previous year by 2,983,700 tonnes. Stock of power coal decreased by 3,021,000 tonnes as at the end of September.
 - ✓ In the period between January and September 2011, total sales of power coal amounted to 44,224,500 tonnes (83.36% of total coal sales) and were higher by 4.93% (by 2,079,100 tonnes) in comparison with the analogous period of 2010.
 - ✓ An average cost of coal sold in the period between January and September 2011 in the hard coal sector amounted to PLN 281.83 per tonne and was higher in comparison with the analogous period of 2010 by 5.22%.
 - ✓ The level of investments executed in the industry does not allow production to grow significantly in line with the indicated market demand, which results in an increased coal import.*

* Source: *Industrial Development Agency (without the ZG SILTECH and LW BOGDANKA S.A. mines)*

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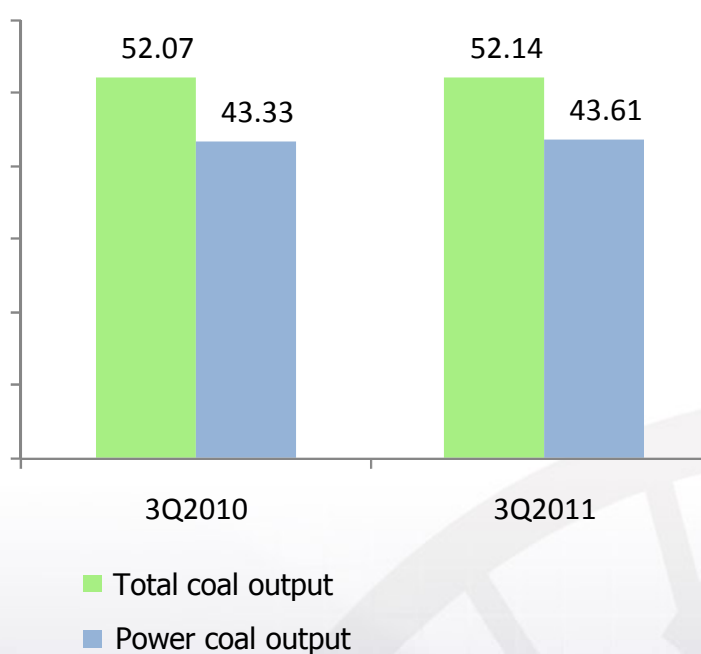


... creates import growth

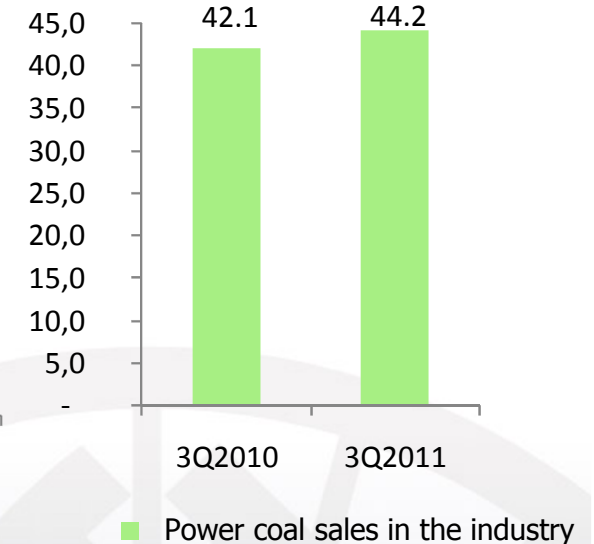
**Import and export of coal
(1-3Q 2011, million of
tonnes)***



**Coal output in the industry
(1-3Q 2011, million of tonnes)**



**Power coal sales in the
industry
(1-3Q 2011, million of tonnes)**



* Estimated by LWB on the basis of 8 months

Source: ARP (without ZG „SILTECH” oraz LW „BOGDANKA” S.A.)



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Results for 1-3Q 2011 meet the assumptions

PLN (000')	1-3Q 2011	1-3Q 2010	Change (%)
Revenue	865 761	934 224	-7.33
Gross profit	182 880	317 232	-42.35
EBITDA	220 662	337 458	-34.61
EBIT	101 691	233 140	-56.38
Net profit	88 043	192 980	-54.38
Earnings per share (PLN)*	2.56	5.62	-54.45

* On a stand alone basis

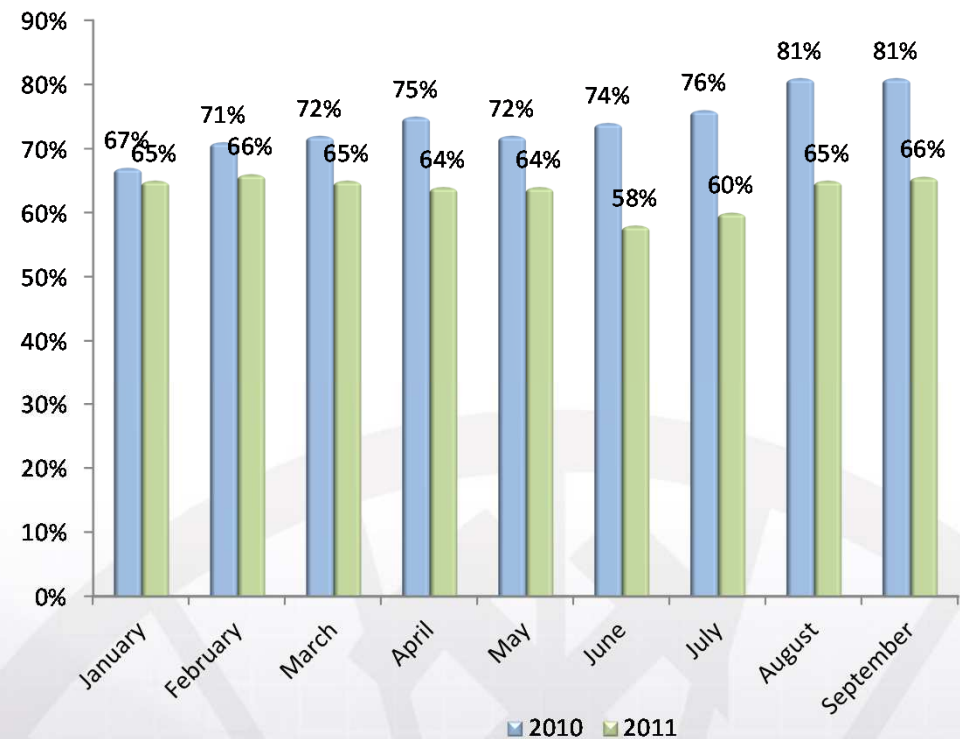
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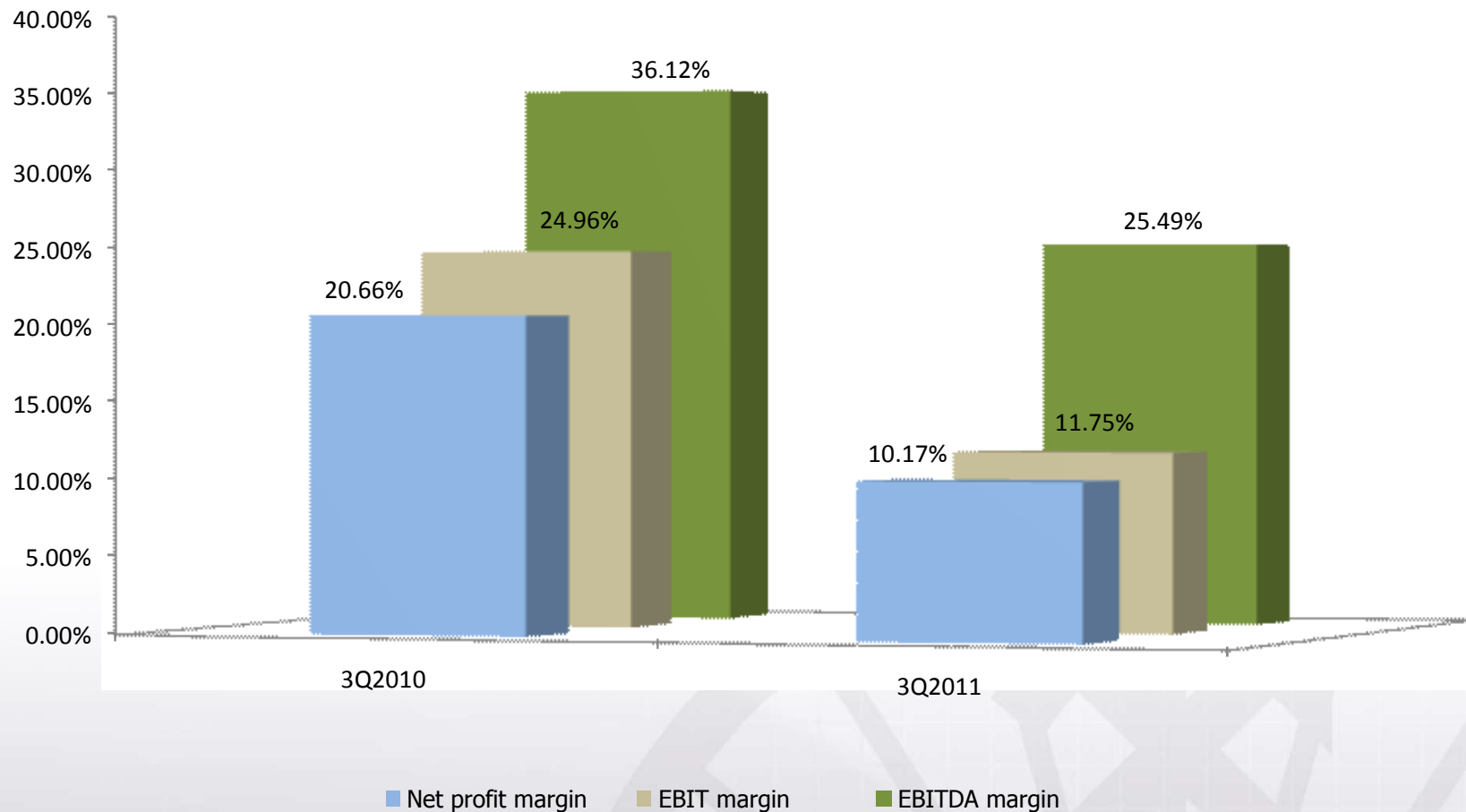
Commercial coal extraction in 1-3Q 2011 with the intensified preparatory works ...

- Gross extraction (1,9% growth 3Q 2011/3Q 2010) is executed with the use of maximum power and extraction capacity.
- Net extraction (12,6% fall 3Q 2011/3Q 2010) depends on the intensity of preparatory works (opening new panels) and geological characteristics of the extracted seams — the more uniform, the greater the output..
- The intensification of preparatory works entails the necessity of skipping additional amounts of rock to the surface.
- In October 2011 the ploughing system in Stefanów was launched, which will increase the output ratio as early as from October this year.
- LW Bogdanka S.A. expects that the net output will increase in the explored deposit.

Commercial coal yield



... which is reflected in profitability ratios for 1-3Q2011



Source: Company

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Results for three quarters 2011 meet the Company's assumptions



Revenue on sales:

- The Group's sales revenue was by 7.3% lower than in the analogous period of 2010. The decrease in total revenue is attributable to lower revenue on sales of coal (by 11.2%).
- A decrease in revenue on core activity, i.e. sales of coal (93.0% of total revenue for Q3 2011) results from lower volume of sales of commercial coal by 9.9% with a concurrent slightly higher (compared to three quarters of 2010) average price of coal sold. Furthermore, in the period from 1 January 2011 to 30 September 2011 a stronger presentation adjustment (downwards) was made by the value of coal sold which was extracted while drilling the headings.

Operating expenses:

- An increase of operating expenses of the LW BOGDANKA Group includes primarily the increase in:
 - ▶ costs of products, goods and materials sold (by 10.7%), and
 - ▶ administrative costs (by 10.3% - due to higher personnel expenses)
- The increase in operating expenses of the LW BOGDANKA Group was primarily attributable to:
 - ▶ contracted services – increase by 25.5% (broader scope of commissioned drilling and mining works),
 - ▶ materials and energy used – increase by 10.1% (which is related to a greater scope of preparatory and deposit-opening works – in the three quarters of 2011, 798 running metres of galleries were completed, i.e. approx. 5% more than in the analogous period of the previous year),
 - ▶ amortisation/depreciation – increase by 13.9% (a portion of assets previously under production was now put into use).

Operating result:

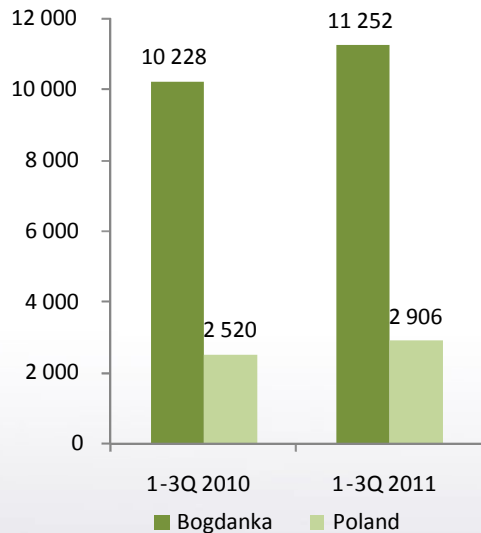
A lower level of sales revenue combined with higher operating expenses (pursuance of the development strategy) resulted in a decrease in EBIT by 56.4%, to the amount of PLN 101,691,000. This situation will persist until the first results of excavation from the Stefanów Field are achieved (Q4 2011).



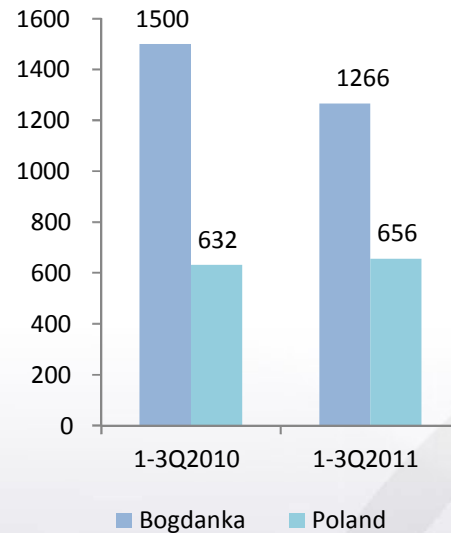
High operational indicators in the industry despite ongoing preparatory works

- **Much higher coal extraction efficiency than the average of the industry** in Poland:
 - general efficiency in 1-3Q 2011: **238,38%** of the industry average (274,12% in 1-3Q 2010);
 - underground efficiency in 1-3Q 2011: **315,82%** of the industry average (291,41% in 1-3Q 2010).

Productivity (t/wall/day)



Efficiency (t/employee/year)



The high efficiency, compared to the rest of the industry, was a result of the following factors:

- use of modern technology solutions for coal mining
- fully (optimally) used modern technology park
- regular overhauls, inspections and checks (in accordance with the manufacturers' recommendations) of plant and machinery – the Company reported almost no downtime in the production of coal

Source: Company's calculations based on 'Informacja o funkcjonowaniu górnictwa węgla kamiennego' – Ministry of Economy, Agencja Rozwoju Przemysłu

'Poland' represents average for Polish mines excluding the Company



Key events in the third quarter 2011 and after the balance-sheet date



- On 19 July 2011 a long-term coal sale agreement was concluded with PH-U "Energokrak" Sp. z o.o. with registered office in Kraków - the value of the Agreement, without regard to additional options, possible increases, deviations and tolerance, as per current prices amounts to PLN 393 million net;
- On 1 October 2011 a trial start-up of the excavation wall was performed in the Stefanów Field, and at the beginning of November 2011, an average level of 10,000 tonnes per day (which at this stage is a target one) was achieved through the 2.1 lifting and ventilation shaft in the Stefanów Field (ploughing system);
- Other investment tasks material for the Company were completed;
- On 26 August 2011, by virtue of resolution of the Annual General Shareholders Meeting of 10 May 2011, dividend was paid to the Company's Shareholders, in the amount of PLN 47,619,026.00.
- On 11 October 2011, a tender procedure was started with regard to granting a medium-term working capital loan facility in the amount of PLN 200,000,000.00 (the loan is to be allocated to the financing of current operating activities);
- A procedure was commenced with respect to obtaining rights to geological information contained within "K – 3" and "K – 6, K – 7" deposits. According to expectations, the right to the information will be granted in November 2011; at the following stage, all documents necessary for the obtaining a licence for exploitation of minerals in that area, will be prepared;
- A process for introducing 3,243,000 series B shares to trading on the regulated market operated by the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) has been started and is scheduled for completion for January or February 2012.



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Key material investments of the LW BOGDANKA Group in the 3 quarters of 2011 and the 3 quarters of 2010



Key material investments [PLN '000]	Outlays incurred 01.01.2011 - 30.09.2011	Outlays incurred 01.01.2010 – 30.09.2010
Construction and assembly work	402 792	271 889
Completion of deliveries and purchases of finished goods	140 761	223 937
Other	1 745	2 854
Prepayments for fixed assets under construction	40	96
Total	545 338	498 776

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Key development investments of LW BOGDANKA S.A. in Q3 2011 and after the balance-sheet date



1. Construction of the 2.1 extraction and ventilation shaft in the Stefanów field

a. Hoist tower together with the lift machinery room building for shaft 2.1:

- In September 2011 the construction works and assembly of equipment were completed.
- In September 2011, the investors commissioned the performed works, along with submitting the facilities and equipment for the commissioning by the mining authority.
- In September 2011 the buildings and equipment were inspected and commissioned by the Mining Authority for Monitoring Inspections of Energomechanical Devices (UGBKUE).
- The Company received the occupancy permit for the construction structures, which allowed it to start the extraction of material through shaft 2.1.

b. Lifting equipment of shaft 2.1:

- The assembly and start-up of the shaft signalling equipment in shaft 2.1, were completed.
- In August 2011 the works connected with the process of optimizing the mining shaft hoist in shaft 2.1, in the scope of controlling whether the shaft equipment and signalling devices work correctly, were started.
- On 27 August 2011, based on the permit and conditions specified by the Maintenance Manager of the Mining Plant, further works on the optimization, as regards the full inspection of the mining shaft hoist (along with the loading and extraction of the excavated material), were started. The studies with target maintenance parameters were completed on 24 September 2011.
- In September 2011, the inspection and commissioning of the mining shaft hoist by UGBKUE took place. The Company obtained the permit for the operation of the hoist in the so-called „trial run” with target work parameters, which allowed it to start the extraction of material through shaft No. 2.1.

c. Shaft and loading equipment:

- Equipment assembly was completed; in September 2011 the investors commissioned the performed works, along with submitting the equipment connected with the work of the mining shaft hoist for the commissioning by the mining authority.
- In September 2011, the inspection and commissioning of the equipment by UGBKUE took place together with the commissioning of the mining shaft hoist. The Company obtained the permit for the operation of the equipment within the permit for the operation of the mining hoist of shaft 2.1.

d. Construction of storage reservoirs in the Stefanów Field – the works are in progress.



Key development investments of LW BOGDANKA S.A. in Q3 2011 and after the balance-sheet date



2. Extension of the Mechanical Coal Processing Plant

a. **Extension of the MCPP processing capacity from its current level of 1200 up to 2400 t/h:**

- The construction works and assembly of equipment were concentrated in the facilities of the so-called fast haulage - the average progress level of works in the above-mentioned facilities was at 85% at the end of the third quarter.
- In September, the construction and assembly works were completed for the equipment in the facility – coal loading from coal storage area, and moreover, the investors commissioned the performed works, along with submitting the facilities and equipment for the commissioning by the construction supervision authority – Regional Mining Authority. After obtaining the occupancy permit for the construction structure during the first ten days of October, the operation of equipment started.
- The construction completion and the commissioning of the facilities and equipment from the group of facilities of the so-called fast haulage have been planned to take place successively in November 2011.
- The construction of facilities connected with stone haulage to the mining landfill, is in progress. The progress level of works in the above-mentioned facilities was at about 60% at the end of the third quarter.
- The preparation of construction and technology working designs for the heavy liquid washer and jig washer facilities, is in progress.

b. **Construction of the excavated material haulage system from the Stefanów Field to MCPP.**

- Construction facilities were commissioned and an occupancy permit was obtained for the construction structures.
- Technological equipment was started-up, and the machinery, equipment and installations in the construction structures were commissioned.
- In August 2011 (while optimizing the mining shaft hoist), the test runs of some of the haulage equipment, were carried out.
- On 27 September 2011, when the extraction of excavated material through shaft 2.1 started, a 720-hour trial run for the haulage equipment under load was initiated.

c. **Expansion of the coal storage area:**

- The existing commercial coal storage area was expanded, as per the concept.
- Geotechnical examinations were carried out of the ground under the tracks for the stacker-loader.
- The tender specifications for the coal storage area expansion project are being prepared.



Key development investments of LW BOGDANKA S.A. in Q3 2011 and after the balance-sheet date



3. Construction of buildings in the Stefanów Field

a. The main fan station at shaft 2.1.

- In August 2011 the construction structure of the fan station was commissioned by UGBKUE. The mine obtained the use permit for the structure.
- In August and September 2011, test runs of the station equipment were carried out.
- In October 2011, after the UGBKUE commissioned the lift-machinery room building, the final stage of test runs of the main fan station of shaft 2.1. was started, with the use of the mine's air-conditioning network, i.e. ventilating the mining workings.
- The final commissioning of the fan station equipment by UGBKUE will be carried out in November 2011 after the trial runs, necessitated by the regulations, are carried out.

b. The works associated with constructing the roads, greens and with land development of the Stefanów field were completed.

4. Central air-conditioning system of the Stefanów Field

- In the third quarter of 2011, the expansion of face networks of the air-conditioning system was completed. The central air-conditioning installations were started at target parameters.

5. Making coal seams in the Stefanów Field available – including:

- Workings at a level of 990 in the Stefanów Field – drilling works of all workings at a level of 990 were completed.
- Ventilation and transport workings - drilling of this group of workings planned for 2011 was completed.
- Workings in seam 385/2 to start up the first panel 7/VII in the Stefanów Field – drilling the longwall gate roads and panel cross-heading was completed. Works connected with panel reinforcement were completed and the conveyor haulage from the panel to storage reservoirs at shaft 2.1 was launched.

6. Purchases of finished goods – including:

- Panel reinforcement 7/VII of seam 385 in the Stefanów Field – on 1 October the launching of panel 7/VII/385 took place. The plough system for this panel was delivered by Bucyrus.



Thank You!



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Profit and loss account – 1-3Q 2011

(PLN '000)	1-3Q 2011	1-3Q 2010	Change 2011/2010 [%]
Revenue	865 761	934 224	-7.33
Cost of products, goods and materials sold, sales and administrative costs	767 118	692 677	10.75
Gross profit on sales	98 643	241 547	-59.16
Other revenue	8 056	4 458	80.71
Other costs	1 187	1 998	-40.59
Operating profit (loss) net	-3 821	-10 867	-64.84
EBIT margin (%)	11.75%	24.96%	-52.92
EBITDA	220 662	337 458	-34.61
EBITDA margin (%)	25.49%	36.12%	-29.43
Financial income	12 563	18 239	-31.12
Financial costs	5 137	9 466	-45.73
Profit before tax	109 099	241 865	-54.89
Income tax	21 056	48 885	-56.93
Net profit	88 043	192 980	-54.38
Net profit margin (%)	10.17%	20.66%	-50.77
- Profit attributable to company's shareholders	87 852	191 683	-54.17



Balance sheet

PLN (000')	30.09.2011	31.12.2010
Fixed assets, including:	2 587 138	2 163 972
Cash and cash equivalents	52 673	50 909
Current assets, including:	290 201	664 073
Cash and cash equivalents	100 328	472 101
Total assets	2 877 339	2 828 045
Current liabilities	414 147	403 139
Non-current liabilities	453 749	455 887
Total liabilities	867 896	859 026
Equity	2 009 443	1 969 019
Current loans	56 000	50 000
Non-current loans	185 000	200 000



Cash Flow

('000 PLN)	9 months 2011	9 months 2010
Operating cash flow	237 989	283 836
Operating cash inflow	255 192	334 598
Interest paid	-1 833	-8 009
Income tax paid	-15 370	42 753
Investing cash flow	-553 143	-447 443
Acquisition of tangible fixed assets	-561 555	-462 207
Acquisition of intangible fixed assets	-393	-55
Inflow from the sale of tangible fixed assets	147	59
Interest received	10 423	16 466
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	- 1 765	-1 706
Financing cash flow	-56 619	-
Loans and borrowings repaid	-9 000	-
Dividend paid to shareholders of the parent entity	-47 619	-
Decrease in cash and cash equivalents	-371 773	-163 607
Cash and cash equivalents at beginning of period	472 101	681 659
Cash and cash equivalents at beginning of period	100 328	518 052



Sales structure – 1-3Q 2011

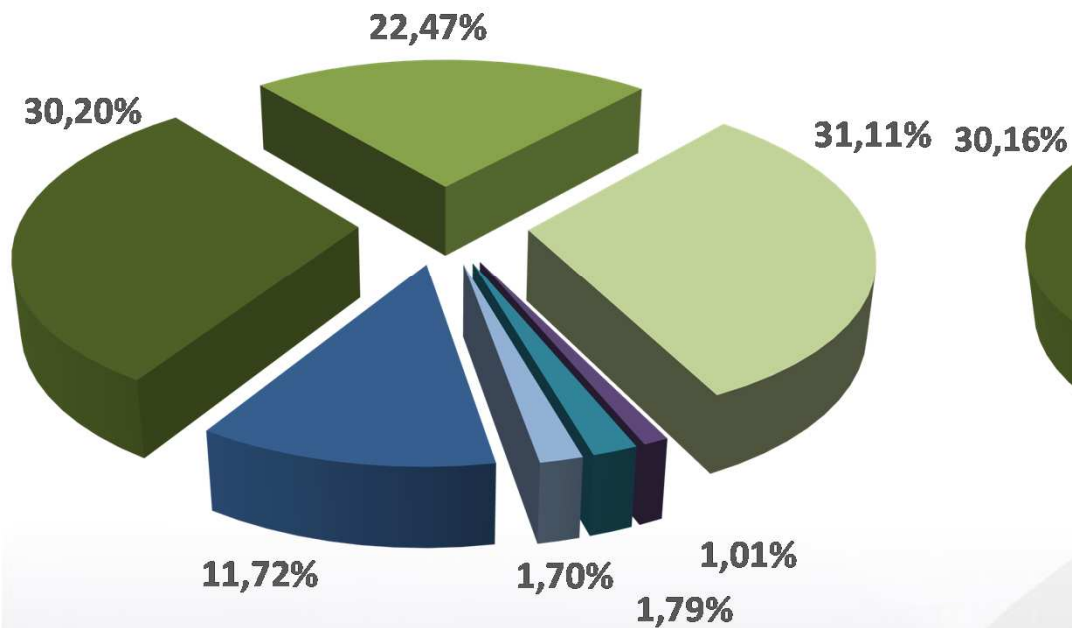
Wyszczególnienie (tys. zł)	1-3Q 2011	Share [%]	1-3 Q 2010	Share [%]
Coal sales	805 380	93.03	906 651	97.05
Sales of ceramics	7 043	0.81	6 699	0.72
Other activities	32 552	3.76	14 869	1.59
Sales of goods and materials	20 786	2.40	6 005	0.64
Total sales revenue	865 761	100.00	934 224	100.00

- Majority of sales (above 85%) is performed under long-term trade agreements with permanent customers, primarily Elektrownia Koźienice S.A., GDF Suez Energia S.A., Elektrownie Ostrołęka S.A., Grupa Ożarów S.A.
- A drop in revenue on coal sales was caused by a lower amount of coal sold (-9,86%), at a slightly higher unit sale price.

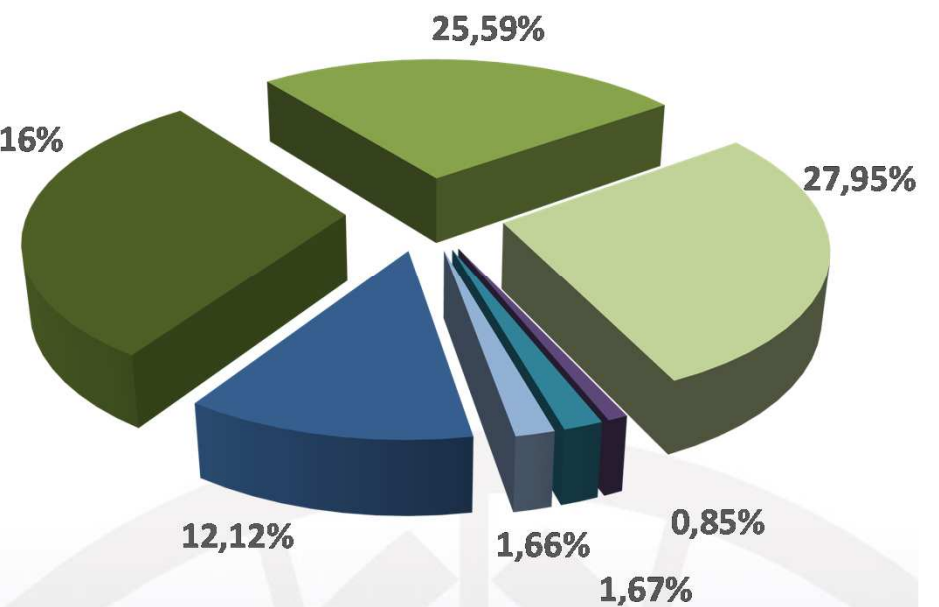


Structure of costs by type at Bogdanka – 1-3 Q 2011

3Q2010



3Q2011



- Depreciation and amortisation
- Third party services
- Representation and advertisement
- Other

- Energy and materials
- Labour
- Taxes

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