



INVESTORS PRESENTATION

1H2012

August 2012





PRESENTING TEAM



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CFO



Mirosław Taras
CEO



Zbigniew Stopa
The Deputy to the President of
Management for Technical
Affairs



DEMAND ON THE DOMESTIC MARKET ...



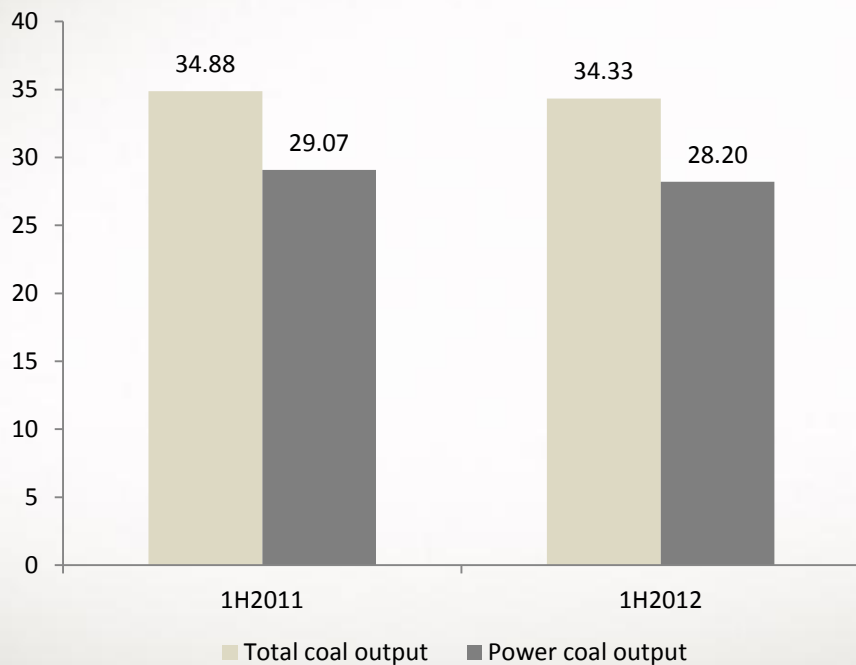
- ❑ The first half of 2012 saw a decrease in demand for power coal on the domestic market. Coal reserves on mounds have increased significantly.
- ❑ An average price of power coal (in all sizes) in the period between January and June 2012 amounted to PLN 294.01 per tonne, and was 8.42% higher compared to the analogous period of the previous year.
- ❑ Situation of Silesian companies:
 - ✓ Extraction of hard coal in the Silesian companies in the first half of 2012 amounted to 34.33 million tonnes and was 1.56% lower in comparison with the analogous period of the previous year. Included in this result was the extraction of power coal which amounted to 28.20 million tonnes, and was 3% lower than in 2011.
 - ✓ Stock of hard coal in mines as at the end of June 2012 amounted to 5,250,300 tonnes which represents an increase in comparison with the analogous period of the previous year by 3,095,000 tonnes. Stock of power coal increased as at the end of June by 2,067,000 tonnes, while stock of coking coal increased by 1,027,800 tonnes.
 - ✓ In the period between January and June 2012, sales of power coal on the domestic market amounted to 22,931,700 tonnes (almost 75% of total coal sales), and was 16.6% lower (by 4,566,000 tonnes) in comparison with the analogous period of 2011.
 - ✓ An average cost of coal sold in the period between January and June 2012 amounted to PLN 317.28 per tonne, and was higher in comparison with the analogous period of 2011 by 14.92%.



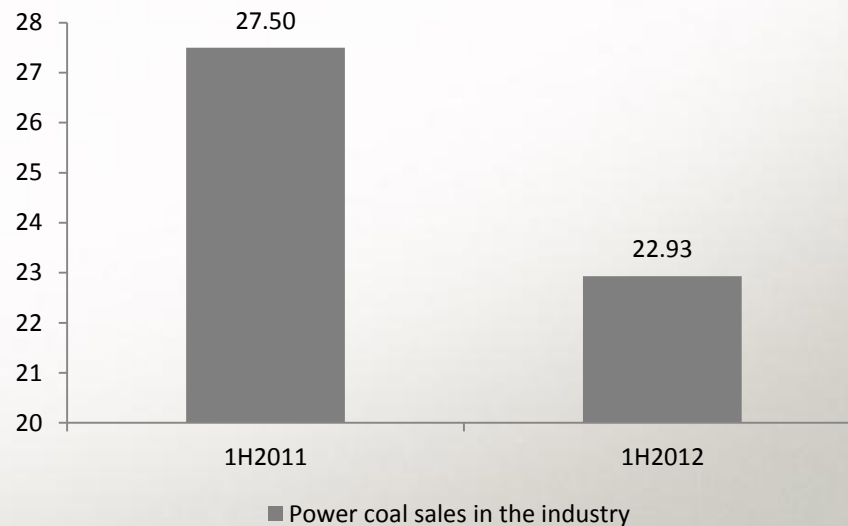
...AFFECT THE SALES OF COAL



**Coal output in the industry
(million of tonnes)**



**Power coal sales in the industry
(million of tonnes)**

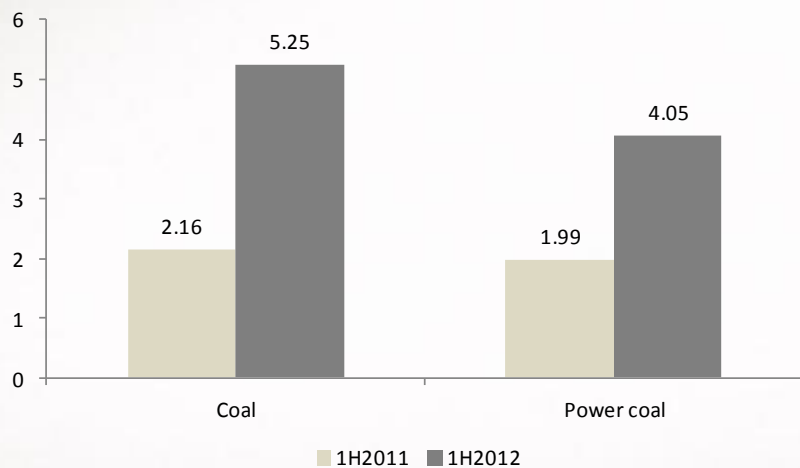




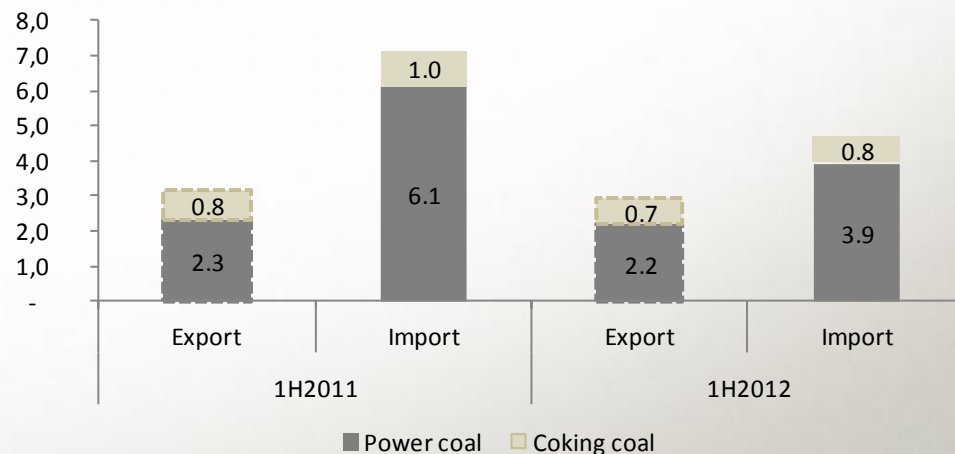
...AFFECTS THE STOCK AND IMPORT OF COAL



The stock of hard coal in mines (million of tonnes)



Import and export of coal (million of tonnes)



Without ZG „SILTECH sp. z o.o. oraz LW „BOGDANKA S.A.
Import - Estimated by LWB on the basis of 5 months



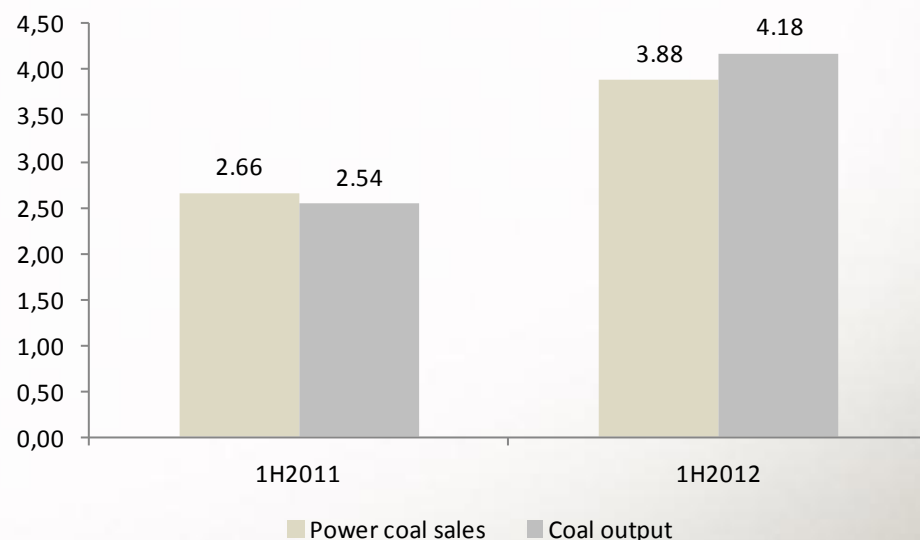
EXTRACTION OF COMMERCIAL COAL AT LW BOGDANKA IN H1 2012



❑ **Gross extraction (5.78 million tonnes** in H1 2012, i.e. a 45.7% increase in comparison with H1 2011) was executed with the use of maximum power and extraction capacity.

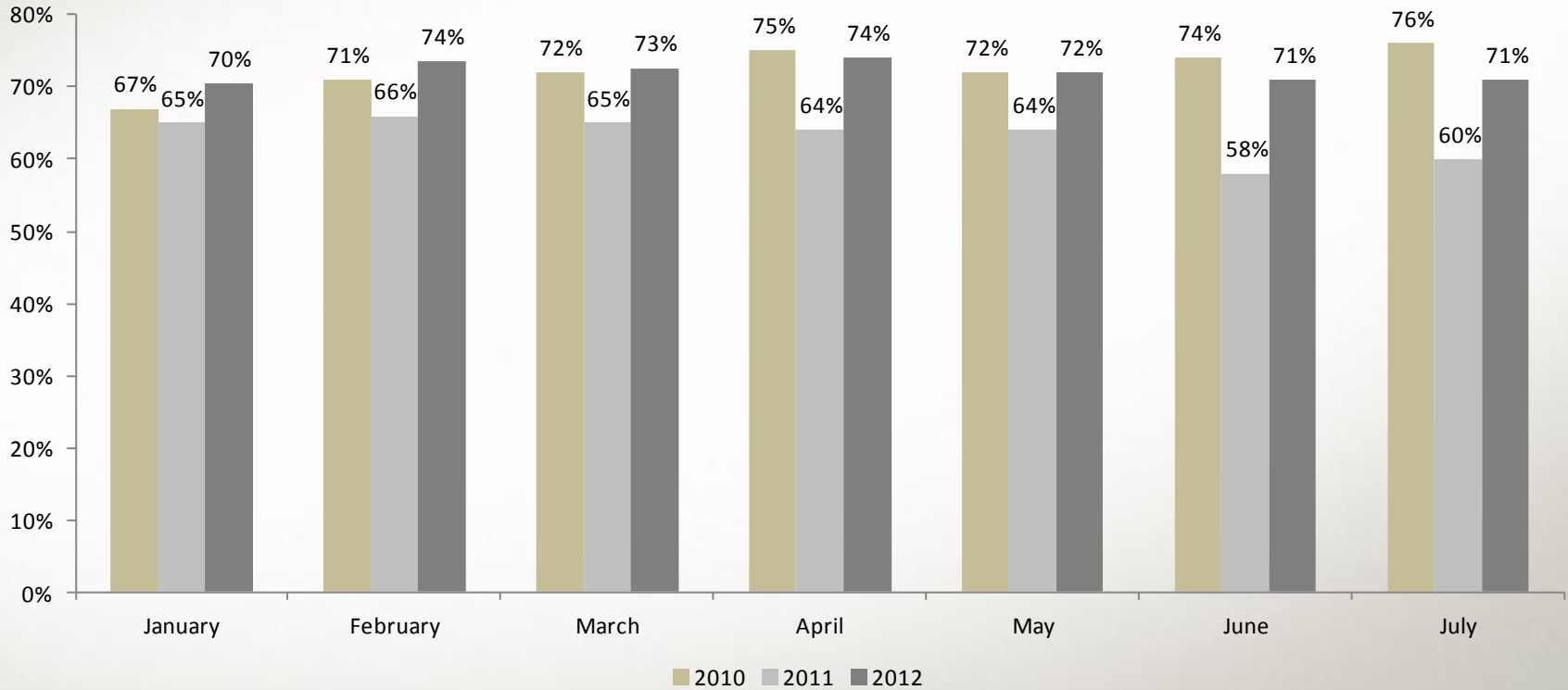
❑ **Net extraction (4.18 million tonnes** in H1 2012, i.e. a 64.5% increase in comparison with H1 2011) depended on the intensity of preparatory works (opening new panels), and geological characteristics of the extracted seams – the more uniform, the greater the output.

❑ An increase in the extraction of commercial coal by nearly 65% occurred together with an increase in gross extraction by almost 46%, which means that in the first half of 2012, the Company recorded a higher output ratio than in the analogous period of the previous year.





COMMERCIAL COAL YIELD

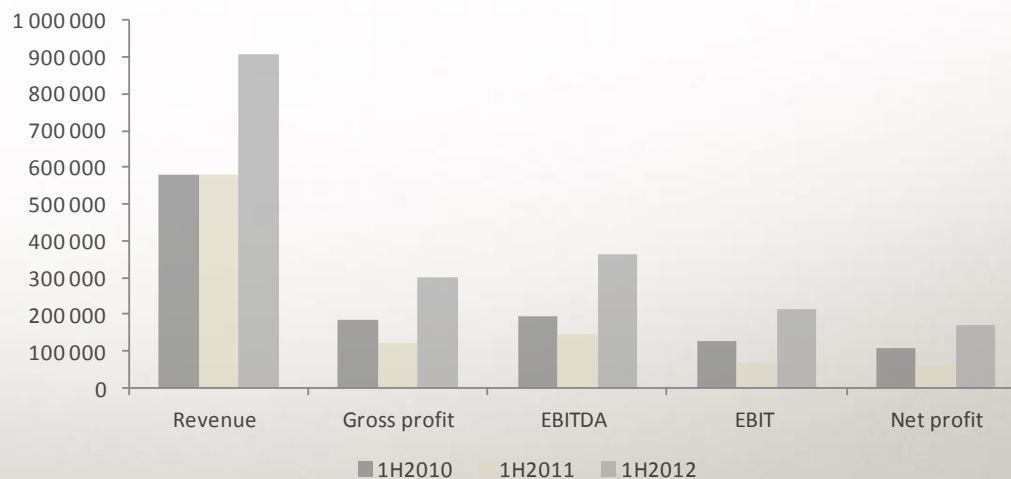




RESULTS OF THE LW BOGDANKA GROUP



Item (PLN'000)	1H2010	1H2011	1H2012	Change 1H2012/ 1H2010 [%]	Change 1H2012/ 1H2011 [%]
Revenue	578 099	582 081	906 538	+56.81	+55.74
Gross profit	183 103	121 616	301 445	+64.63	+147.87
EBITDA	194 709	145 185	365 343	+87.64	+151.64
EBIT	126 638	70 409	212 815	+68.05	+202.26
Net profit	106 920	62 163	173 247	+62.03	+178.70





RESULTS OF THE LW BOGDANKA GROUP FOR H1 2012



Revenue on sales:

- In H1 2012, the Group's sales revenue was almost 56% higher than in the analogous period of the previous year. The increase in total revenue is attributable to higher revenue on sales of coal (by almost 64%).
- The increase in the revenue on sales of coal is a consequence of higher volumes of coal sold (+45.9%), with a higher sale unit price.

Operating expenses:

- An increase in operating expenses of the LW BOGDANKA Group compared to the analogous period of the previous year includes primarily an increase in:
 - costs of products, goods and materials sold (by 31.4%), and
 - administrative costs (by 15.2%).
- The increase in operating expenses of LW BOGDANKA S.A. was primarily attributable to:
 - amortisation/depreciation – increase by 106.2% (a portion of assets previously under production was now put into use);
 - taxes and charges — increase by 48.1% due to increasing mining royalty (connected with additional extraction), and higher property tax.
 - contracted services — increase by 23.5% (increase in the costs of drilling, mining and similar works, performed mainly in the Stefanów Field).

Operating result:

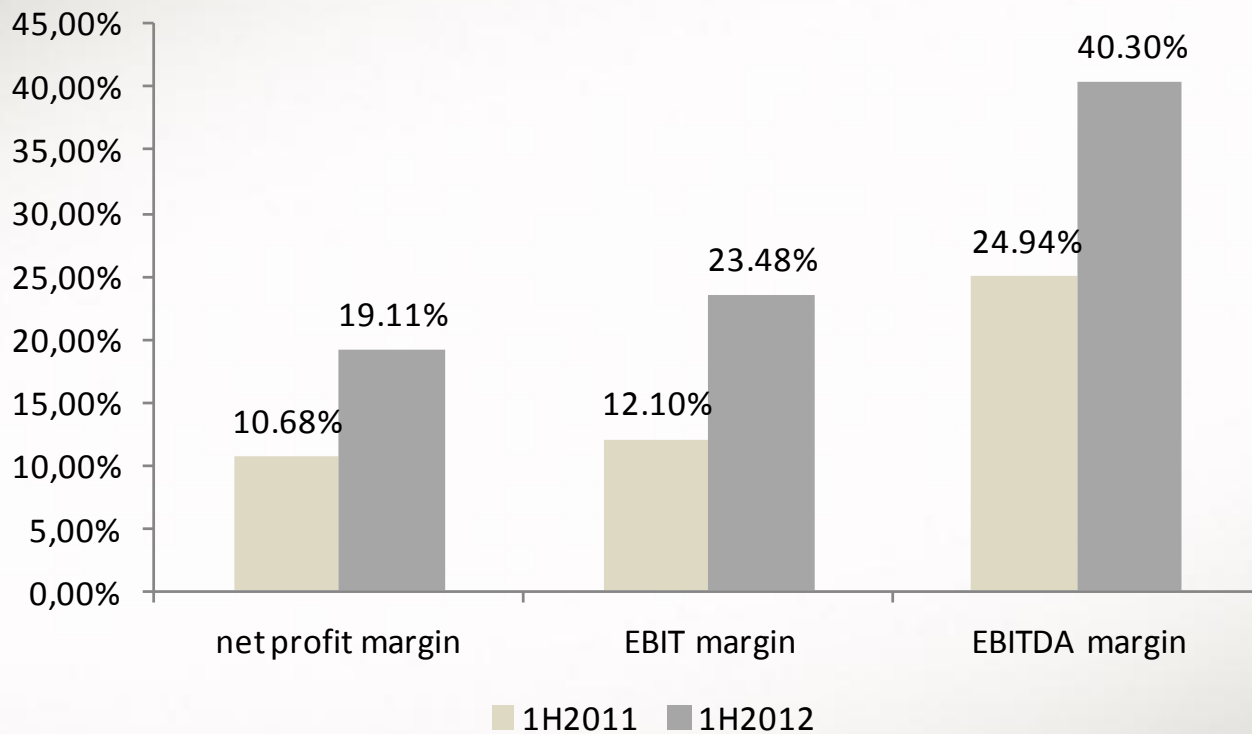
- Higher dynamics of sales revenue in comparison with the dynamics of changes in operating expenses translated into an increase in EBIT for H1 2012 by 202.26% to the amount of PLN 212,815,000.

Gross and net results:

- Pre-tax earnings for 6 months of 2012 were higher by 177.0% than in the previous year - the pre-tax profit for the first half of 2012 amounted to PLN 213,358,000 as compared to PLN 77,029,000 for the first half of 2011.
- A mandatory decrease in profit in the form of corporate income tax resulted in the Group's net profit of the financial year for the period from 1 January to 30 June 2012 amounting to PLN 173,247,000, compared to PLN 62,163,000 for the same period of 2011 – up by 178.70% on a year-to-year basis.



PROFITABILITY RATIOS





KEY EVENTS IN 1H2012 AND AFTER THE BALANCE-SHEET DATE



- Introducing **free-of-charge shares** for eligible employees to public trading in January 2012;
- Conclusion of **significant commercial agreements and annexes:**
 - ✓ A new long-term significant agreement with **Elektrownia Koźienice S.A.** for the purposes of Elektrownia Koźienice's power unit currently under development; and an annex to the existing long-term agreement (January 2012);
 - ✓ Significant agreement with **PGNIG Termika S.A.** (April 2012);
 - ✓ An Annex to a significant agreement with **ENERGA Elektrownie Ostrołęka S.A.**, and conclusion of an Annex to the significant agreement (May 2012) in June 2012;
 - ✓ A significant agreement with **Elektrownia Połaniec S.A.** – GDF SUEZ ENERGIA POLSKA Group (July 2012); ;
 - ✓ An Annex to the significant agreement with **PH-U Energokrak Sp. z o.o.** (August 2012);
- Adoption of the **CSR strategy** for 2012–2015 (March 2012);
- April 2012 — **Annual General Shareholders Meeting of LW BOGDANKA S.A.**
 - ✓ Election of the Supervisory Board Members for the 8th term of office;
 - ✓ amendments to the Company's Articles of Association;
 - ✓ decision regarding the distribution of net profit for 2011;
 - ✓ 18 May 2012 — dividend date;
 - ✓ 14 August 2012 — dividend payment date (PLN 4 per share).
- June 2012 – **Extraordinary General Shareholders Meeting of LW BOGDANKA S.A.**
 - ✓ amendments to the Company's Articles of Association;
 - ✓ establishing rules of remuneration for the members of the Supervisory Board.



Key material investments of the LW BOGDANKA Group in the 1H2012 and the 1H2011



Key material investments of the LW BOGDANKA Group in the 1H2012 and the 1H2011 [PLN '000]	Outlays incurred from 1 January 2012 to 30 June 2012	Outlays incurred from 1 January 2011 to 30 June 2011
Construction and assembly work	133 959	253 591
Completion of deliveries and purchases of finished goods	70 410	102 213
Other	1 119	1 055
Prepayments for fixed assets under construction	-	40
Total	205 488	356 899

Changes in outlays incurred in the first half of 2012 in relation to initial plans resulted mainly from changes in tender procedures and changes in payments for investments for the second half of 2012.



THANK YOU



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PROFIT AND LOSS ACCOUNT



(PLN '000)	1H2012 rok	1H2011 rok	Change 1H2012/1H2011 [%]
Revenue	906 538	582 081	+55.74
Cost of products, goods and materials sold, sales and administrative costs	667 825	516 996	+29.17
Gross profit on sales	238 713	65 085	+266.77
Other revenue	1 568	7 951	-80.28
Other costs	443	514	-13.81
Operating profit (loss) net	-27 023	-2 113	+1178.89
EBIT margin [%]	23.48%	12.10%	+94.05
EBITDA	365 343	145 185	+151.64
EBITDA margin (%)	40.30%	24.94%	+61.59
Financial income	5 666	9 444	-40.00
Financial costs	5 123	2 806	+82.57
Share in profits/(losses) of associated undertakings	-	-18	-
Profit before tax	213 358	77 029	+176.98
Income tax	40 111	14 866	+169.82
Net profit	173 247	62 163	+178.70
Net profit margin (%)	19.11%	10.68%	+78.93
- Profit attributable to company's shareholders	172 860	61 935	+179.10



BALANCE SHEET



(PLN '000)	2012.06.30	2011.12.31
Fixed assets, including:	2 723 313	2 674 216
Cash and cash equivalents	60 170	58 288
Current assets, including:	674 769	402 012
Cash and cash equivalents	329 847	102 820
Total assets	3 398 082	3 076 228
Current liabilities	511 973	307 016
Non-current liabilities	706 270	626 566
Total liabilities	1 218 243	933 582
Equity	2 179 839	2 142 646
Current loans	12 185	-
Non-current loans	431 000	341 000



CASH FLOW



(PLN '000)	1H2012	1H2011
Operating cash flow	357 464	167 952
Operating cash inflow	409 863	180 386
Interest paid	-957	-
Income tax paid	-51 442	-12 434
Investing cash flow	-230 437	-372 782
Acquisition of tangible fixed assets	-222 729	-372 917
Interest paid regarding investing activity	-7 299	-5 755
Acquisition of intangible fixed assets	-219	-393
Inflow from the sale of tangible fixed assets	79	55
Other net investing cash flow	-1 999	-
Interest received	3 612	7 992
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	-1 882	-1 764
Financing cash flow	100 000	-6 000
Loans and borrowings received	100 000	-
Loans and borrowings repaid	-	-6 000
Decrease in cash and cash equivalents	227 027	-210 830
Cash and cash equivalents at beginning of period	102 820	472 101
Cash and cash equivalents at beginning of period	329 847	261 271



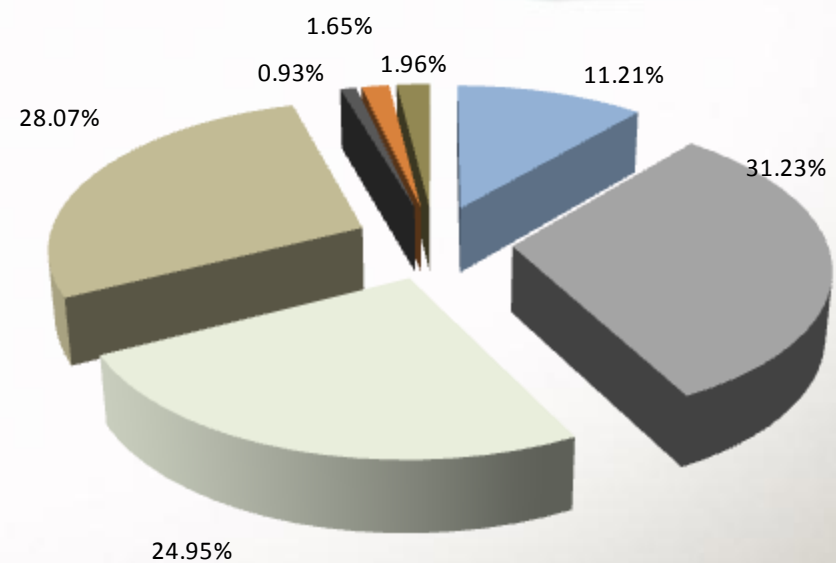
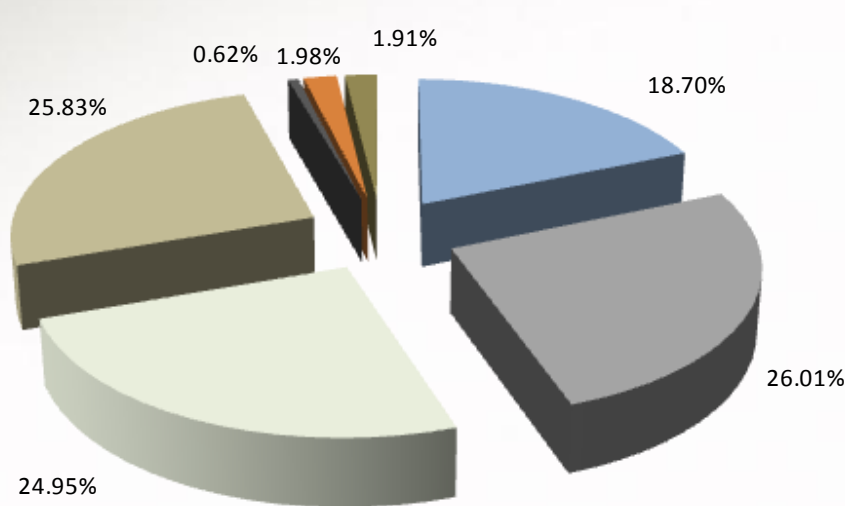
SALES STRUCTURE



Item (PLN '000)	1H2012	Share [%]	1H2011	Share [%]
Coal sales	878 156	96.87	536 281	92.13
Sales of ceramics	3 726	0.41	4 649	0.80
Other activities	18 959	2.09	23 765	4.08
Sales of goods and materials	5 697	0.63	17 386	2.99
Total sales revenue	906 538	100.00	582 081	100.00



STRUCTURE OF COSTS BY TYPE AT BOGDANKA



- Depreciation and amortisation
- External services
- Entertainment and advertising expenses
- Other expenses
- Materials and energy consumption
- Employee benefits
- Taxes, fees and charges



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