



# INVESTORS PRESENTATION

3Qs 2012

November 2012





## PRESENTING TEAM



**Krystyna Borkowska**  
**The Deputy to the President of**  
**Management for Economic and**  
**Financial Affairs**  
**- Chief Accountant**



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



**Waldemar Bernaciak**  
**The Deputy to the**  
**President of Management**  
**for Trade and Logistics**



# AGENDA



→ **LW BOGDANKA in three quarters of 2012 and after the balance-sheet date**

Situation on the coal market

Financial highlights

Extraction and investments at the Company in 3Qs 2012

Appendices – financial data



# LW BOGDANKA in three quarters of 2012 and after the balance-sheet date



## Financial parameters:

✓ Revenue on sales	3Qs 2012 – PLN 485.7m (increase over 3Qs 2011 by 71.21%)	1-3Q 2012 – PLN 1,392.2m (increase over 1-3Q 2011 by 60.81%)
✓ Gross profit	3Qs 2012 – PLN 127.8m (increase over 3Qs 2011 by 108.58%)	1-3Q 2012 – PLN 429.2m (increase over 1-3Q 2011 by 134.71%)
✓ EBIT	3Qs 2012 – PLN 125.7m (increase over 3Qs 2011 by 301.71%)	1-3Q 2012 – PLN 338.5m (increase over 1-3Q 2011 by 232.85%)

## Operational parameters:

- ✓ Production capacity for three quarters of 2012 – **6.07 million tonnes** (increase over three quarters of 2011 by **58.29%**)
- ✓ Coal sales for three quarters of 2012 – **5.93 million tonnes** (increase over three quarters of 2011 by **50.29%**)
- ✓ Stock as at 30 September 2012 – **0.17 million tonnes** (increase over three quarters of 2011 by **570.93%**)

## Key events:

### Trade agreements:

- Conclusion of an annex to the significant agreement with PH-U Energokrak Sp. z o.o. with registered office in Krakow – **1 August 2012**
- Conclusion of a significant agreement with PGE Obrót S.A., Lublin Branch - **14 September 2012**
- Termination of Long-Term Agreement No. 1/LW/D/2010 concluded on 19 October 2010 with Elektrownia Ostrołęka S.A., the scope of which covered future power coal supplies to a power unit in Ostrołęka under construction, i.e. Unit C - **30 October 2012**

### Extraction and investments:

- Annex to the agreement with the consortium of Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. - **6 September 2012**
- **At the end of October** – completion of the second plough system for wall 2/VI/385 under an agreement of 31 May 2011
- Concurrently works on reinforcement of the wall were carried out; a trial start-up of the wall was started **at the end of October 2012**

### Other:

- Dismissal of the President of the Management Board of LW Bogdanka S.A. by the Supervisory Board and appointment of an Acting President, Mr. Zbigniew Stopa – **27 September 2012**
- Award for LW BOGDANKA S.A. for applying the International Financial Reporting Standards in the Financial Statements of the LW Bogdanka Group – **19 October 2012**



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## DEMAND ON THE DOMESTIC MARKET ...



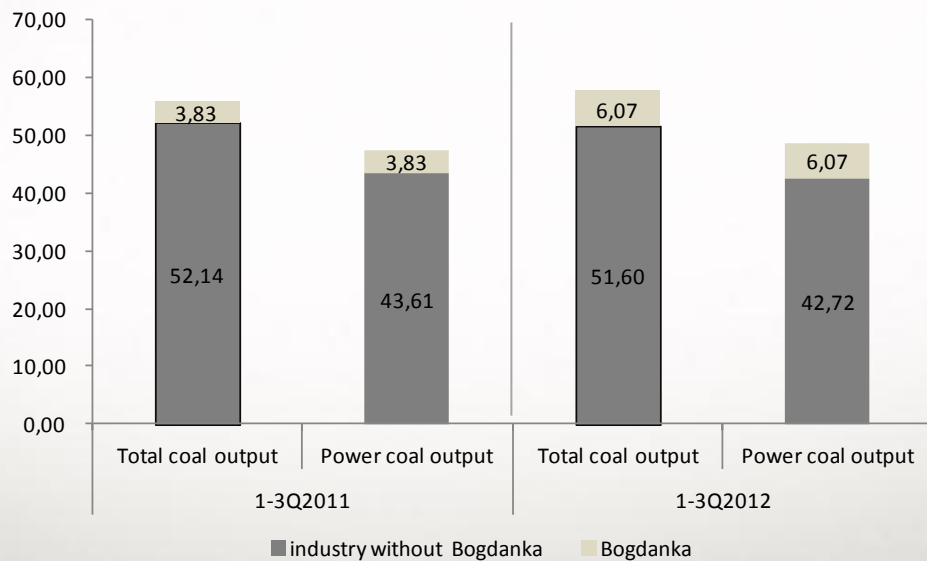
- ❑ In three quarters of 2012 a decrease in demand for power coal on the domestic market was observed. Coal reserves on mounds have increased significantly.
- ❑ An average price of power coal (in all sizes) in the period between January and September 2012 amounted to PLN 294.44 per tonne and was higher by 8.13% in comparison with the analogous period of the previous year.
- ❑ Situation of Silesian companies:
  - ✓ Extraction of hard coal in the Silesian companies in nine months of 2012 amounted to 51.60 million tonnes and was 1.03% lower in comparison with the analogous period of the previous year. Included in this result was the extraction of power coal which amounted to 42.72 million tonnes, and was 2.04% lower than in 2011.
  - ✓ Stock of hard coal in mines as at the end of September 2012 amounted to 6,851,000 tonnes which represents an increase in comparison with the analogous period of the previous year by nearly 5,042,000 tonnes. Stock of power coal increased as at the end of September by nearly 4,168,000 tonnes, while stock of coking coal increased by almost 874,000 tonnes.
  - ✓ In the period between January and September 2012, sales of power coal on the domestic market amounted to 33,719,000 tonnes (almost 75% of total coal sales), and was 17.6% lower (by 7,201,000 tonnes) in comparison with the analogous period of 2011.
  - ✓ An average cost of coal sold (both power and coking coal) in the period between January and September 2012 amounted to PLN 319.32 per tonne, and was higher in comparison with the analogous period of 2011 by 13.3%.



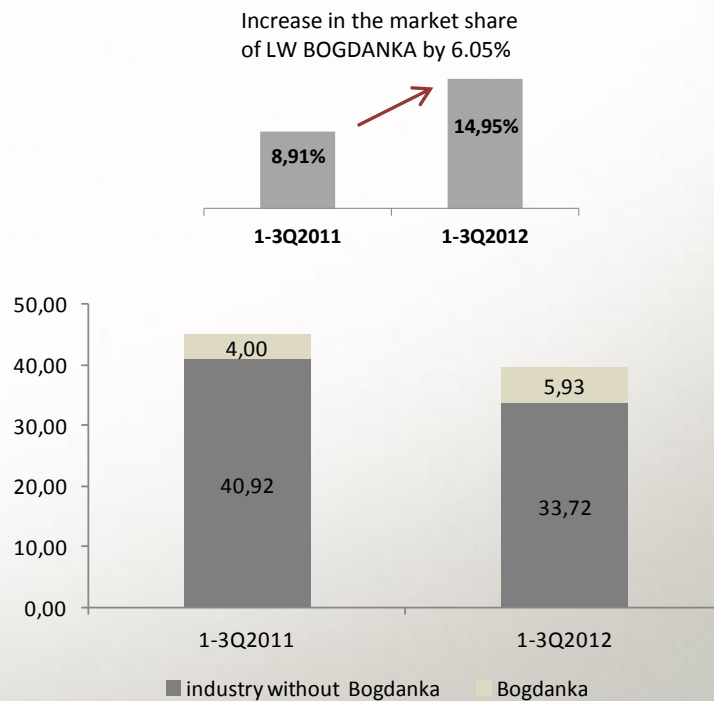
# ...AFFECT THE SALES OF COAL



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



### Domestic sales of power coal in the industry (in million tonnes)

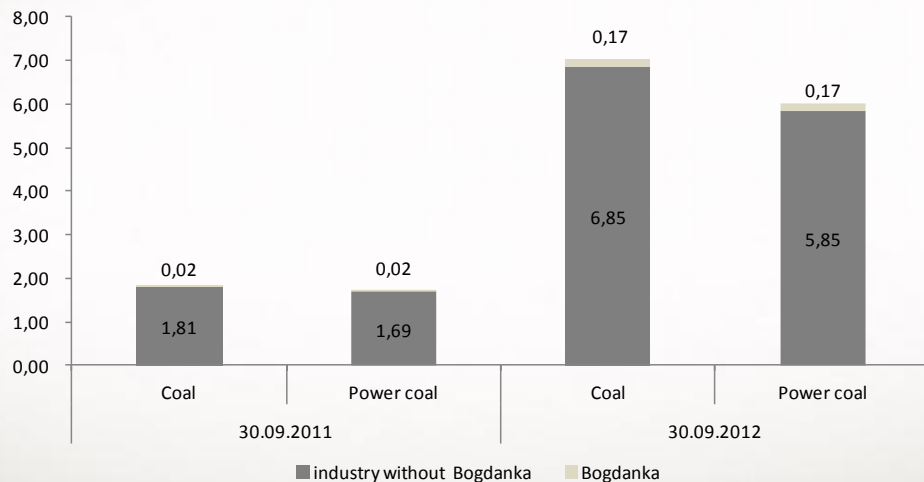




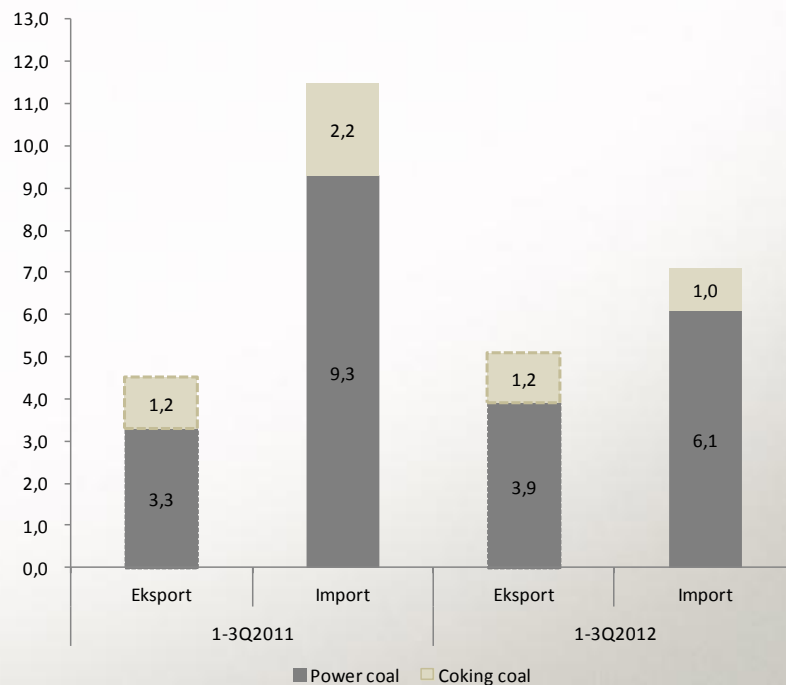
# ...AFFECTS THE STOCK AND IMPORT OF COAL



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



### Import and export of coal (million of tonnes)



\*Import - Estimated by LWB on the basis of 8 months





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# RESULTS OF THE LW BOGDANKA GROUP FOR 3Qs 2012



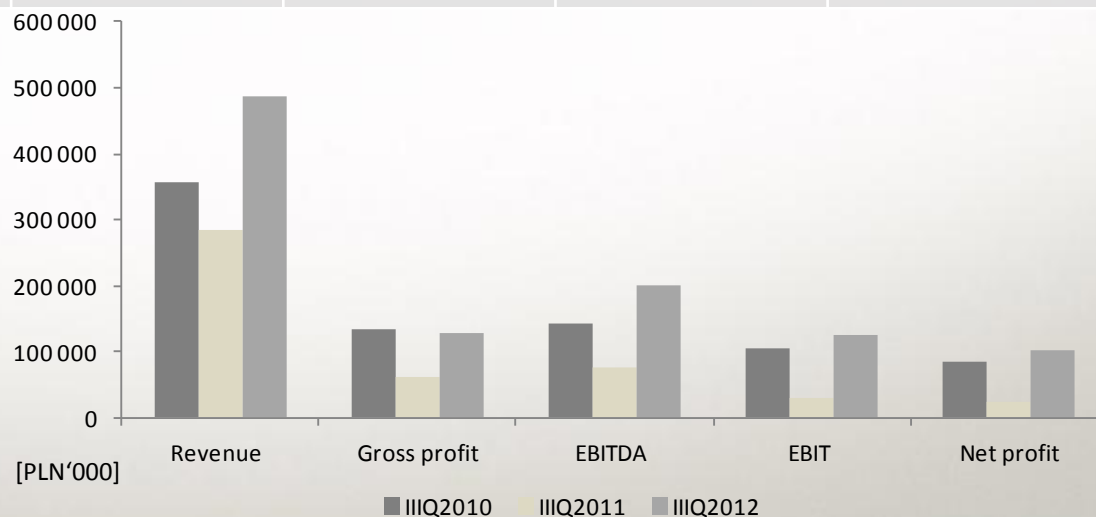
Revenue on sales - LW BOGDANKA GROUP:	Increase in revenue on sales by more than 60%	the increase in total revenue is attributable to higher revenue on sales of coal (by more than 67%) higher amount of coal sold (+50.3%) higher unit sale price
Operating expenses - LW BOGDANKA GROUP	Increase in operating expenses	increase in costs of products, goods and materials sold (by 41.0%) increase in administrative costs (by 18.5%)
Operating expenses - LW BOGDANKA S.A.	Increase in operating expenses	depreciation – increase by 93.3% (growth in value of fixed assets subject to natural depreciation (mining excavations) and to depreciation with a straight-line method applied to other fixed assets) taxes and charges — increase by 48.9% due to increasing mining royalty (connected with additional extraction), and higher property tax contracted services — increase by 25.8% (increase in the costs of drilling, mining and similar works, performed mainly in the Stefanów Field)
Operating result - LW BOGDANKA GROUP	Increase in the operating profit (232.85%)	higher dynamics of sales revenue against the dynamics of changes in the operating expenses increase in operating profit (EBIT) for three quarters of 2012 by 232.85% to a level of PLN 338,478,000
Pre-tax earnings - LW BOGDANKA GROUP	Increase in pre-tax earnings (212.69%)	pre-tax earnings for 9 months of 2012 are higher by 212.69% than in the previous year - the pre-tax profit for three quarters of 2012 amounted to PLN 341,145,000 as compared to PLN 109,099,000 for three quarters of 2011
Net result - LW BOGDANKA GROUP	Increase in net result 214.55%	mandatory decrease in profit in the form of corporate income tax resulted in the Group's net profit for the period from 1 January to 30 September 2012 amounting to PLN 276,937,000, compared to PLN 88,043,000 for the same period of 2011 – up by 214.6% on a year-to-year basis



# RESULTS OF THE LW BOGDANKA GROUP



Item (PLN'000)	3Q2010	3Q2011	3Q2012	Change IIIQ2012/ IIIQ2010 [%]	Change IIIQ2012/ IIIQ2011 [%]
Revenue	356 125	283 680	485 702	36.39	71.21
Gross profit	134 129	61 264	127 787	-4.73	108.58
EBITDA	142 749	75 477	202 133	41.60	167.81
EBIT	106 502	31 282	125 663	17.99	301.71
Net profit	86 060	25 880	103 690	20.49	300.66

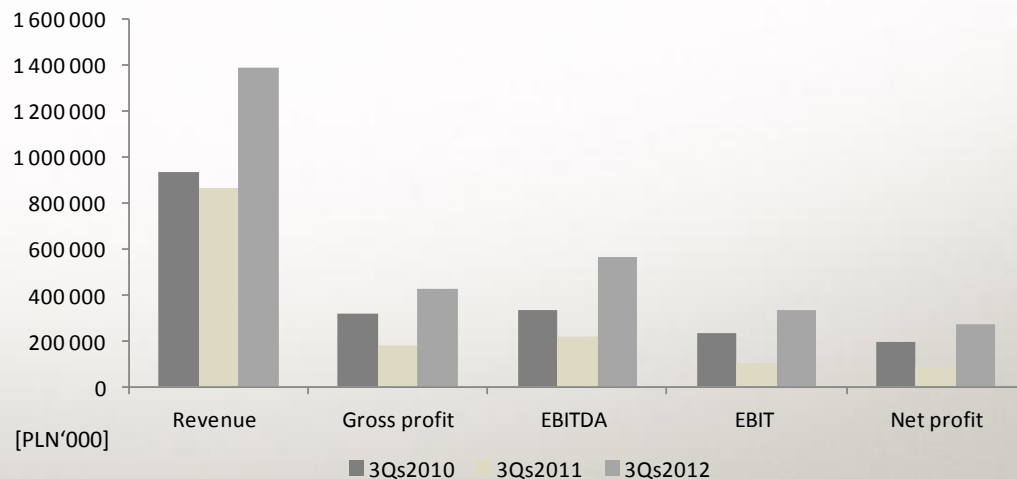




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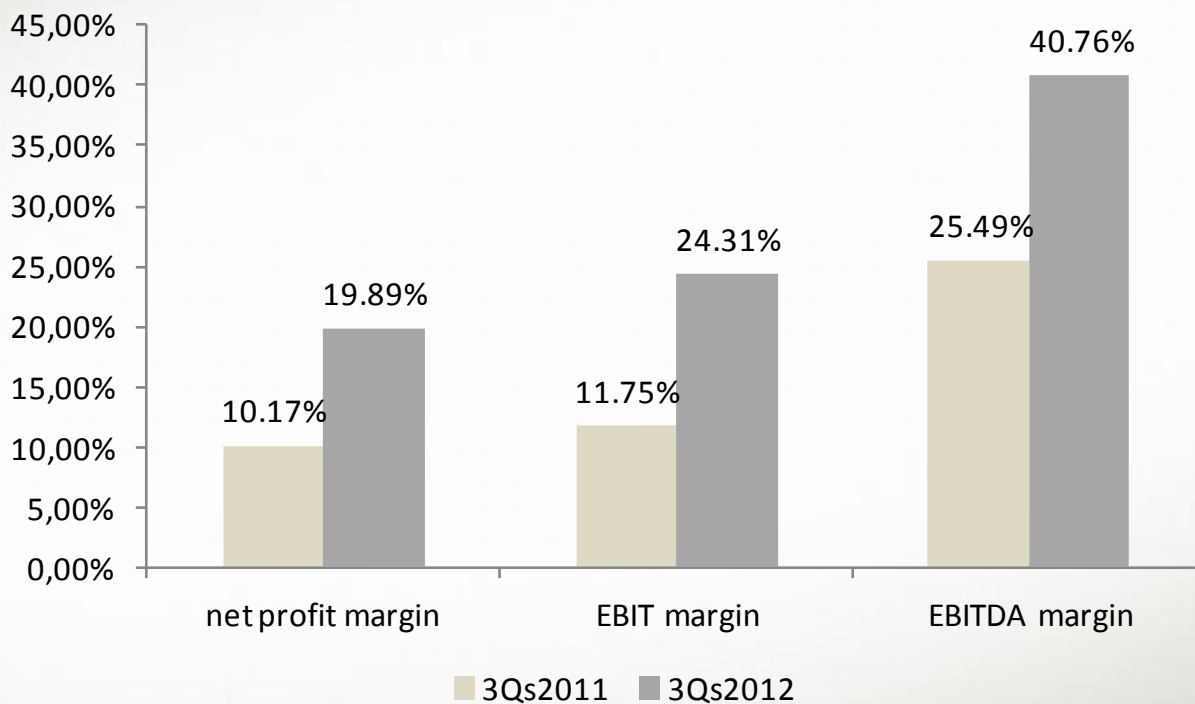


Item (PLN'000)	3Qs2010	3Qs2011	3Qs2012	Change 3Qs2012/ 3Qs2010 [%]	Change 3Qs2012/ 3Qs2011 [%]
Revenue	934 224	865 761	1 392 240	49%	61%
Gross profit	317 232	182 880	429 232	35%	135%
EBITDA	337 458	220 662	567 476	68%	157%
EBIT	233 140	101 691	338 478	45%	233%
Net profit	192 980	88 043	276 937	44%	215%





# PROFITABILITY RATIOS





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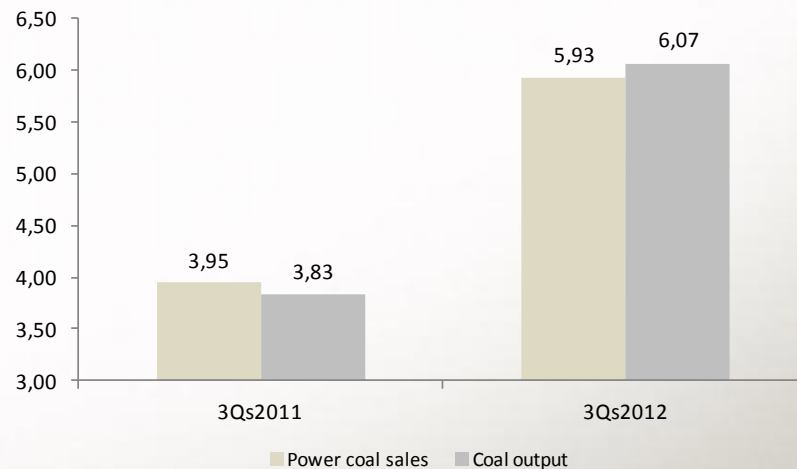
# EXTRACTION OF COMMERCIAL COAL IN LW BOGDANKA IN 3Qs 2012



- **Gross extraction (8.58 million tonnes** for three quarters of 2012, i.e. a 42.8% increase in comparison with three quarters of 2011) was executed with the use of maximum power and extraction capacity.

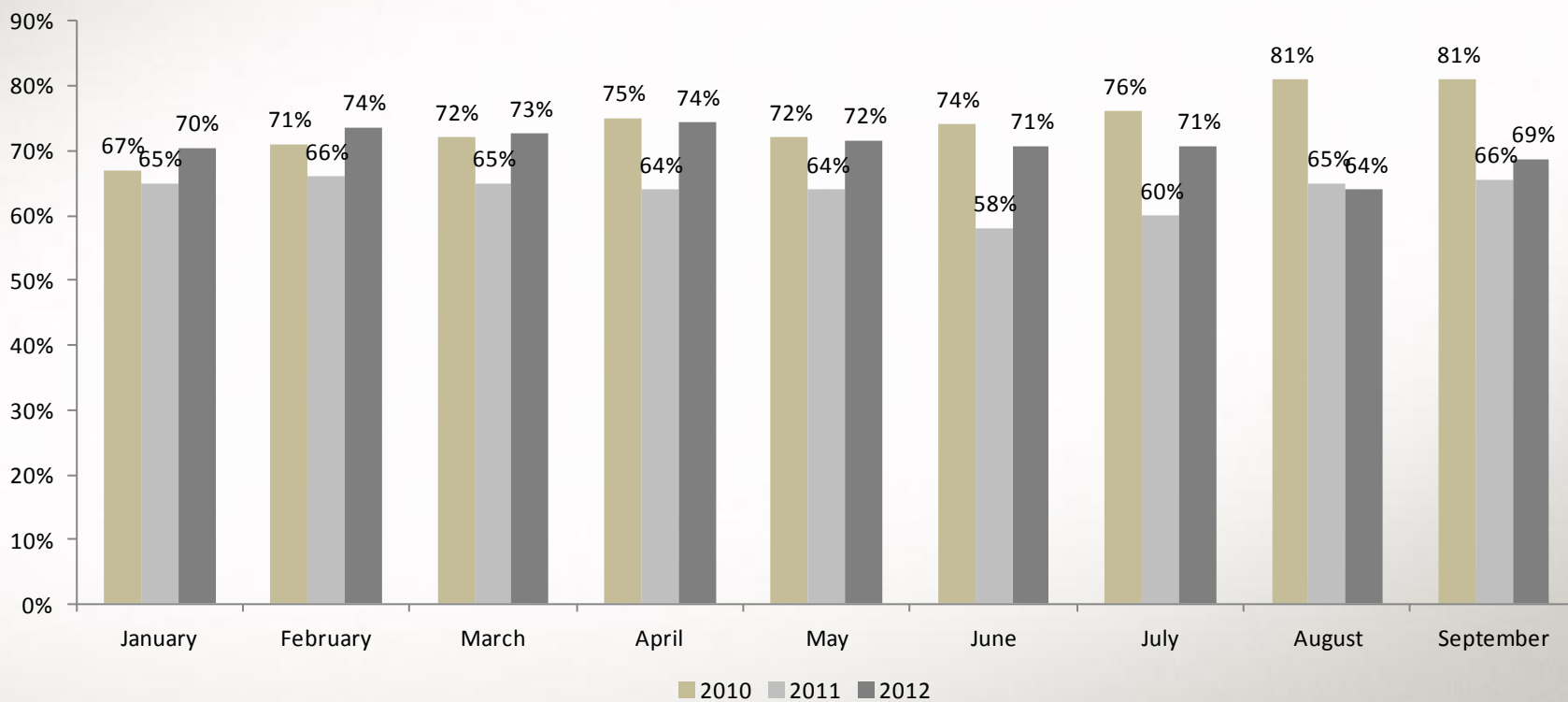
- **Net extraction (6.07 million tonnes** in three quarters of 2012, i.e. a 58.3% increase in comparison with three quarters of 2011) depended on the intensity of preparatory works (opening new panels), and geological characteristics of the extracted seams – the more uniform, the greater the output.

- The increase in commercial coal extraction by almost 60% occurred with an increase of gross extraction by less than 43%. It means that during three quarters of 2012 Bogdanka recorded, in general, an output ratio higher than in the analogous period in the previous year.





# COMMERCIAL COAL YIELD







# Key material investments of the LW BOGDANKA Group in the 3Qs2012 and the 3Qs2011



Key material investments of the LW BOGDANKA Group in the 3Q2012 and the 3Q2011 [PLN '000]	Outlays incurred from 1 January 2012 to 30 September 2012	Outlays incurred from 1 January 2011 to 30 September 2011
Construction and assembly work	238 641	402 792
Completion of deliveries and purchases of finished goods	139 271	140 761
Other	1 289	1 745
Prepayments for fixed assets under construction	4	40
<b>Total</b>	<b>379 205</b>	<b>545 338</b>



# THANK YOU



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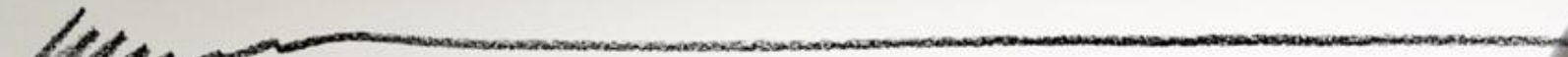
# GK LW BOGDANKA - PROFIT AND LOSS ACCOUNT



(PLN '000)	3Qs2012	3Qs2011	Change 3Qs2012/3Qs2011 [%]
Revenue	1 392 240	865 761	60.81
Cost of products, goods and materials sold, sales and administrative costs	1 060 174	767 118	38.20
Gross profit on sales	332 066	98 643	236.63
Other revenue	31 525	8 056	291.32
Other costs	680	1 187	-42.71
Operating profit (loss) net	-24 433	-3 821	539.44
EBIT margin [%]	24,31%	11,75%	106.89
EBITDA	567 476	220 662	157.17
EBITDA margin (%)	40,76%	25,49%	59.91
Financial income	10 243	12 563	-18.47
Financial costs	7 576	5 137	47.48
Share in profits/(losses) of associated undertakings	-	-18	-100.00
Profit before tax	341 145	109 099	212.69
Income tax	64 208	21 056	204.94
Net profit	276 937	88 043	214.55
Net profit margin (%)	19,89%	10,17%	95.58
- Profit attributable to company's shareholders	276 747	87 852	215.02



# GK LW BOGDANKA - BALANCE SHEET



(PLN '000)	2012.09.30	2011.12.31
Fixed assets, including:	2 840 487	2 674 216
Cash and cash equivalents	61 115	58 288
Current assets, including:	554 222	402 012
Cash and cash equivalents	212 279	102 820
<b>Total assets</b>	<b>3 394 709</b>	<b>3 076 228</b>
Current liabilities	380 013	307 016
Non-current liabilities	731 167	626 566
<b>Total liabilities</b>	<b>1 111 180</b>	<b>933 582</b>
<b>Equity</b>	<b>2 283 529</b>	<b>2 142 646</b>
Current loans	17 961	-
Non-current loans	426 000	341 000



# GK LW BOGDANKA - CASH FLOW



(PLN '000)	3Qs2012	3Qs2011
<b>Operating cash flow</b>	<b>540 248</b>	<b>237 989</b>
Operating cash inflow	610 650	255 192
Interest paid	(2 506)	(1 833)
Income tax paid	(67 896)	(15 370)
<b>Investing cash flow</b>	<b>(394 739)</b>	<b>(553 143)</b>
Acquisition of tangible fixed assets	(382 626)	(554 371)
Interest paid regarding investing activity	(11 428)	(7 184)
Acquisition of intangible fixed assets	(2 233)	(393)
Inflow from the sale of tangible fixed assets	155	147
Interest received	5 991	10 423
Other net investing cash flow	(1 771)	-
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	(2 827)	(1 765)
<b>Financing cash flow</b>	<b>(36 050)</b>	<b>(56 619)</b>
Loans and borrowings received	100 000	-
Loans and borrowings repaid	-	(9 000)
Dividend paid to Parent Undertaking's shareholders	(136 050)	(47 619)
Decrease in cash and cash equivalents	109 459	(371 773)
Cash and cash equivalents at beginning of period	102 820	472 101
<b>Cash and cash equivalents at beginning of period</b>	<b>212 279</b>	<b>100 328</b>



# GK LW BOGDANKA - SALES STRUCTURE



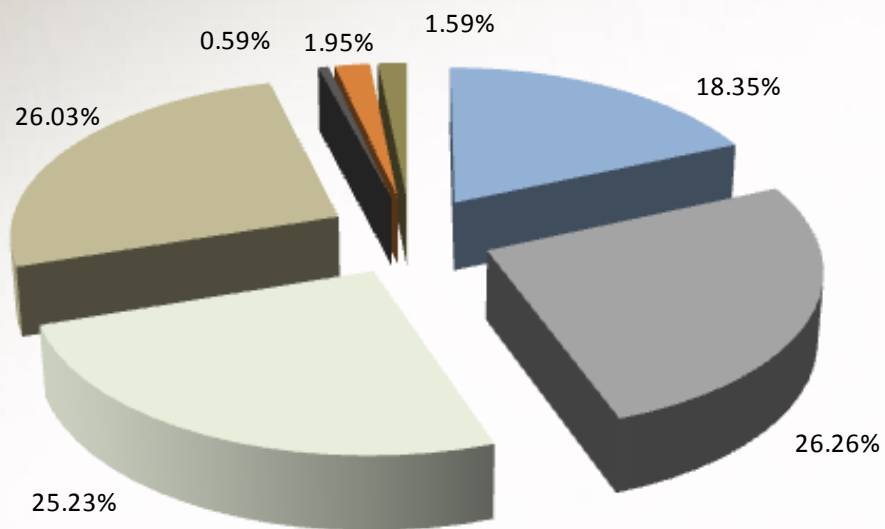
Item (PLN '000)	3Qs2012	Share [%]	3Qs2011	Share [%]
Coal sales	1 348 281	96.84	805 380	93.03
Sales of ceramics	5 007	0.36	7 043	0.81
Other activities	29 368	2.11	32 552	3.76
Sales of goods and materials	9 584	0.69	20 786	2.40
<b>Total sales revenue</b>	<b>1 392 240</b>	<b>100.00</b>	<b>865 761</b>	<b>100.00</b>



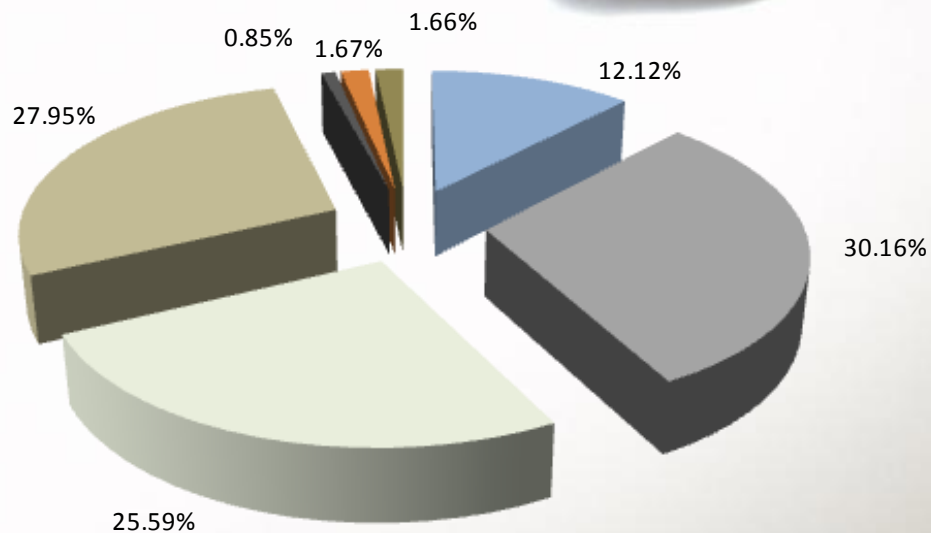
# STRUCTURE OF COSTS BY TYPE AT BOGDANKA



3Qs2012



3Qs2011



- 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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