



LW BOGDANKA

Consolidated financial results Y2012

21 March 2013





AGENDA



Situation on the coal market

Key technical and financial data

Company's capital expenditures in 2012

Appendices – Financial data



DEMAND ON THE DOMESTIC MARKET* ...



- ❑ In 2012 we experienced a decrease in demand for thermal coal in the domestic market. Coal inventories on mounds increased significantly.
- ❑ The average price of thermal coal (in all sizes) in 2012 amounted to PLN 299.78 per tonne and was higher by 7.78% in comparison with the same period in the previous year.
- ❑ Situation of Silesian companies:
 - ✓ Extraction of hard coal in Silesian mines in 2012 was 71.45 million tonnes, and was higher by 2.32% as compared with the previous year - the figure includes extraction of 59.71 million tonnes of thermal coal, an increase of 2.26% versus 2011.
 - ✓ Stock of hard coal in mines at the end of 2012 amounted to 8,374,700 tonnes which represents an increase in comparison to the previous year by 6,251,600 tonnes. Stock of thermal coal increased as at the end of 2012 by nearly 5,911,800 tonnes, while stock of coking coal increased by almost 339,800 tonnes.
 - ✓ In 2012, sales of thermal coal on the domestic market was 46,965,900 tonnes (more than 73% of total hard coal sales) and was lower by 14.23% (by 7,790,700 tonnes) compared to 2011.
 - ✓ Average cost of sold coal (both thermal and coking) in 2012 amounted to PLN 324.46 per tonne and was higher than 2011 by 9.92%.

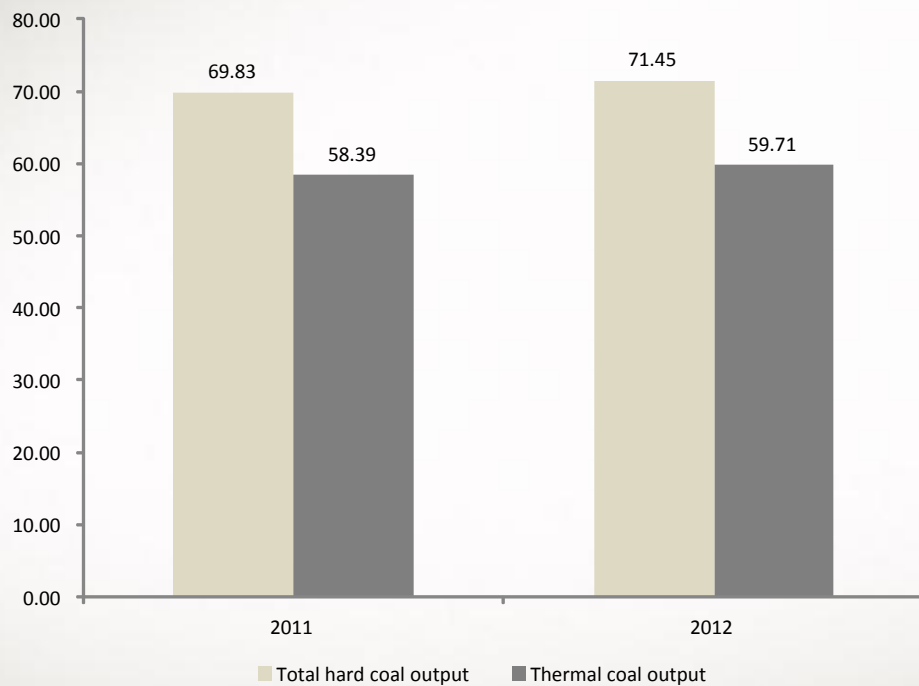
*Data from the polish Industrial Development Agency (Agencja Rozwoju Przemysłu)



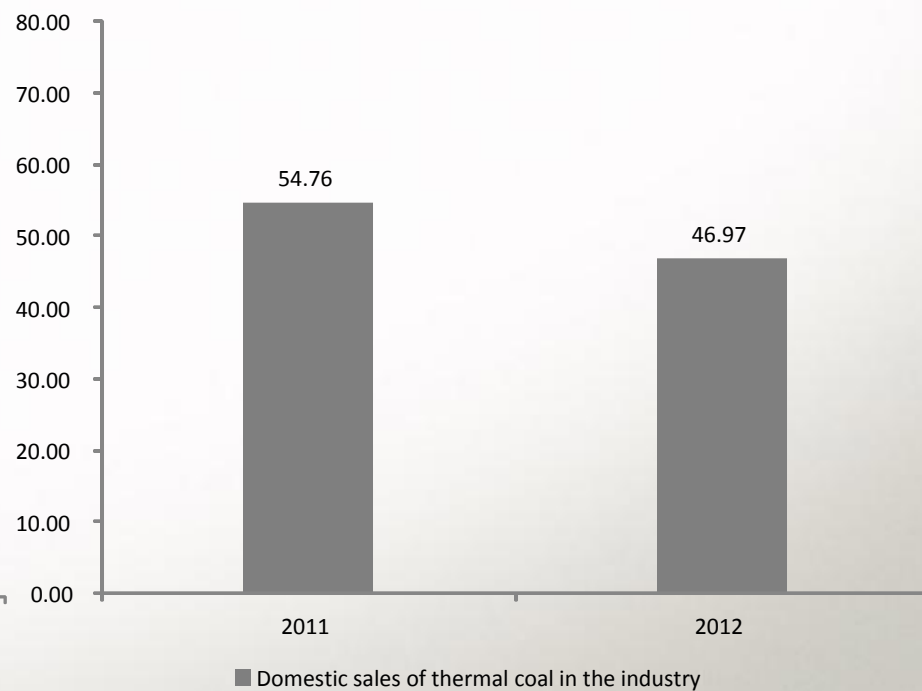
... IMPACTING SALES OF COAL



Coal output in the industry (in million of tonnes)



Domestic sales of thermal coal in the industry (in million of tonnes)

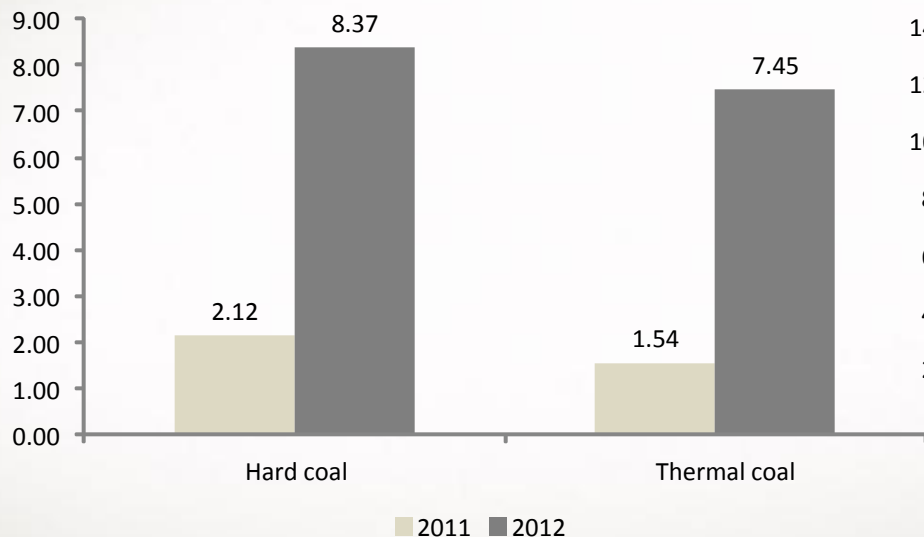




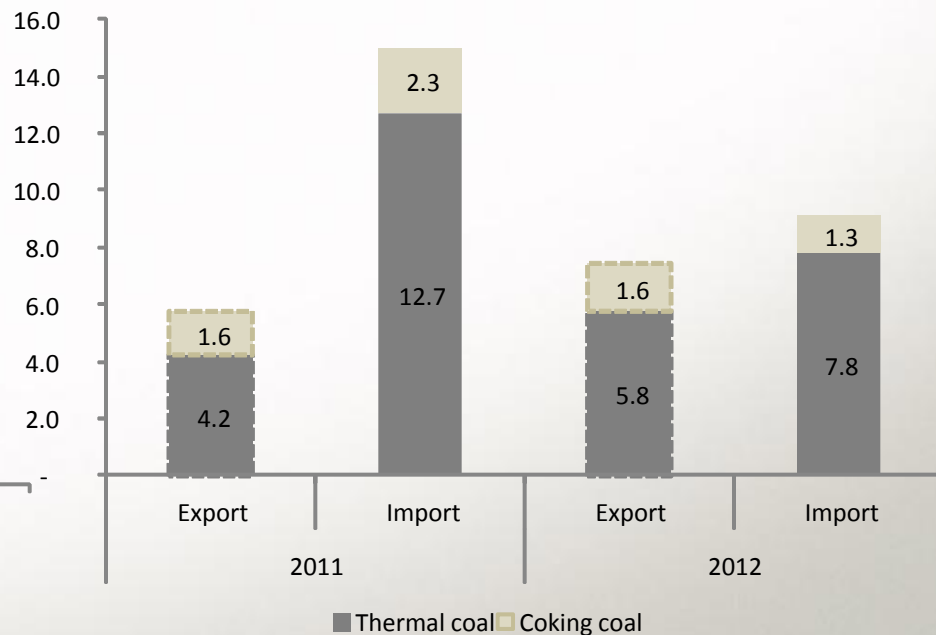
... and INVENTORIES AND IMPORT OF COAL



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



Import and export of coal
(in million of tonnes)






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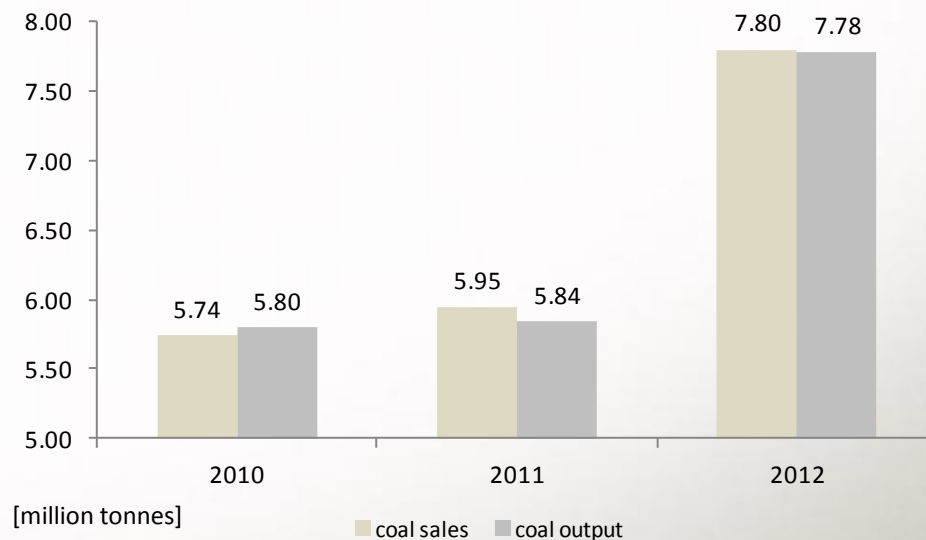
Appendices – financial data



EXTRACTION OF COMMERCIAL COAL IN LW BOGDANKA IN 2012

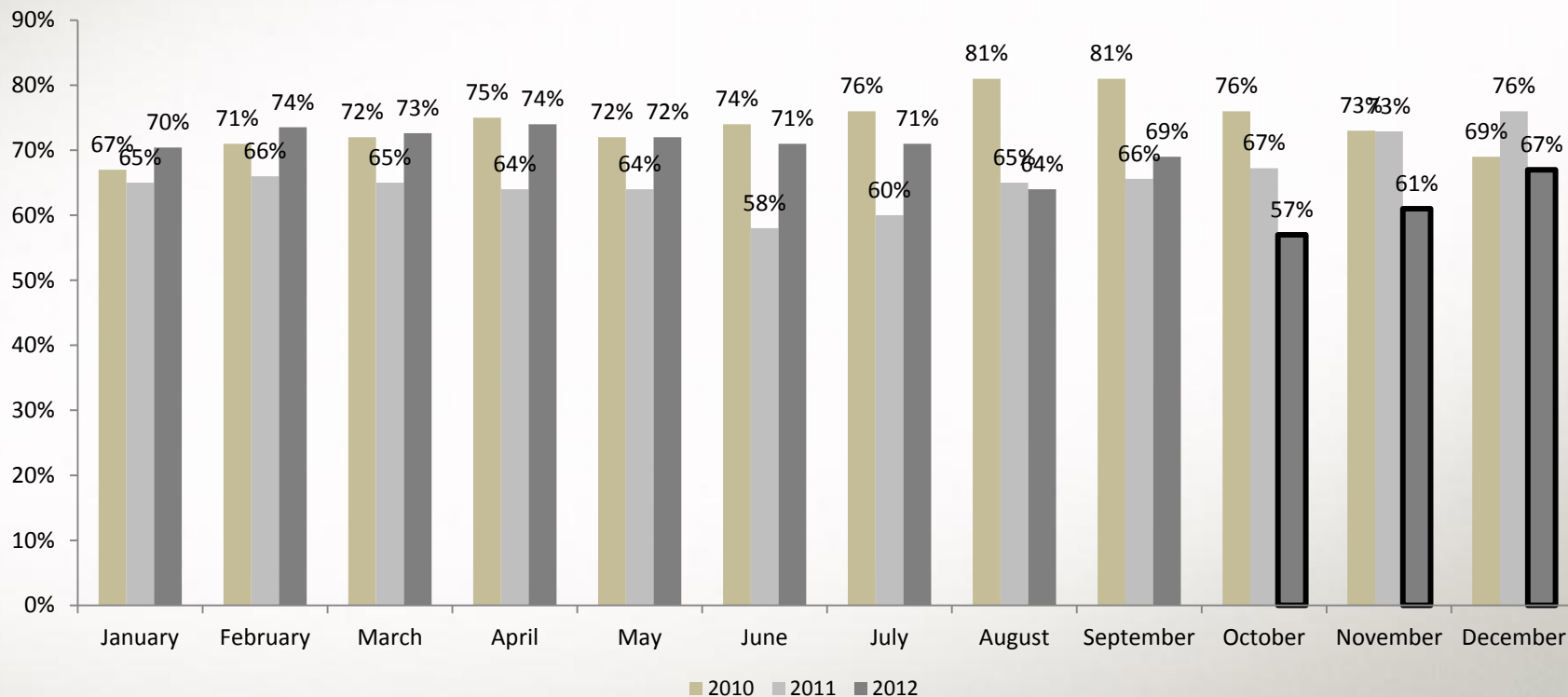


- **Gross extraction – 11.38 million tonnes** for 2012 (+29.7% as compared to 2011). In comparison to 2010, gross extraction in 2012 grew by 45.2%.
- **Net extraction – 7.78 million tonnes** for 2012 (+33.3% as compared to 2011) – The increase in extraction of commercial coal is a result of the start of extraction from the Stefanów field at the end of 2011 (the period of 2012 is the first full year of extraction of that field). Additionally, the average annual coal yield ratio (the relation of commercial coal to gross coal) was better in 2012 than in 2011. In comparison to 2010, net extraction for 2012 grew by 34.2%.
- **Sales of coal** – from 1 January to 31 December 2012, **7.80 million tonnes** of coal were sold, which represents an increase by 31.1% (+1.85 million tonnes) over the previous year. In 2012 the sale of commercial coal was higher than the net coal extraction as the Company sold a portion of its stocks. Sales dynamics against 2010 is 35.9%.



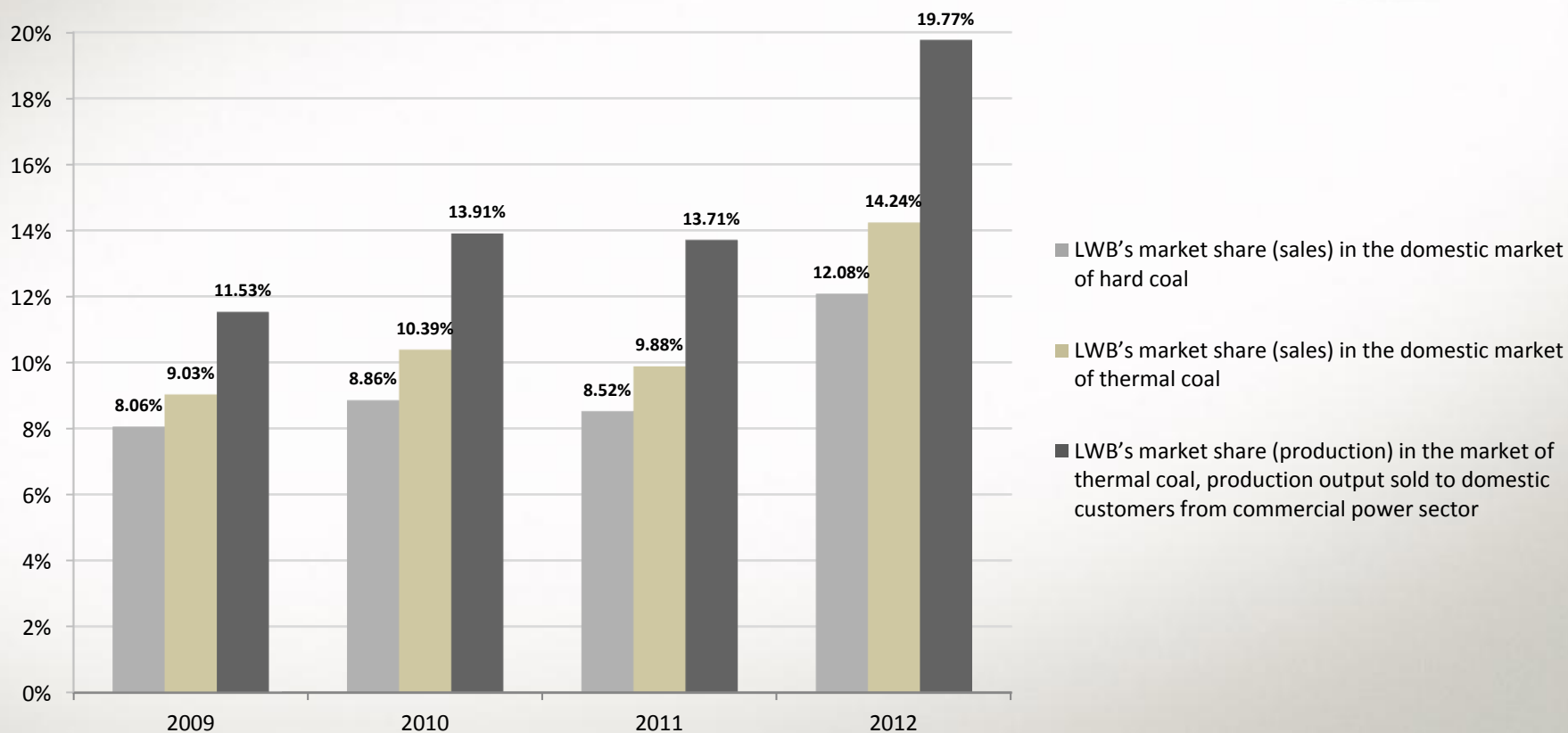


LW BOGDANKA S.A. - COAL YIELD RATIO





MARKET POSITION OF LW BOGDANKA S.A.





LW BOGDANKA GROUP Q4 & FY 2012 AND KEY POST BALANCE-SHEET EVENTS



Financial parameters:

✓ Revenues	Q4 2012: PLN 443.56 m (+1.83% on Q4 2011)	2012: PLN 1,835.8 m (+ 41.07% YoY)
✓ Gross profit	Q4 2012: PLN 75.96 m (- 62.35% on Q4 2011)	2012: PLN 505.19 m (+ 31.34% YoY)
✓ EBITDA	Q4 2012: PLN 90.61 m (- 60.59% on Q4 2011)	2012: PLN 658.09 m (+ 46.05% YoY)

Operational parameters:

- ✓ Production in 2012 – **7.78 million tonnes** (increase over 2011 by **33.34%**)
- ✓ Sale of coal in 2012 – **7.80 million tonnes** (increase over 2011 by **31.06%**)
- ✓ Inventories as at 31 December 2012 – **0.02 million tonnes** (decrease over 2011 by **34.19%**)

Key events:

Trade agreements:

- Termination of the Long-Term Agreement No. 1/LW/D/2010 with Elektrownia Ostrołęka S.A. concluded on 19 October 2010 covering future supplies of thermal coal to the planned power generation unit in Ostrołęka – Unit C – 30 October 2012;
- Conclusion of an agreement for the supply of thermal coal with Grupa Ożarów S.A. and volumes of trade with Grupa Ożarów S.A. – 5 December 2012;
- Concluding an annex to the agreement with Zakłady Azotowe Puławy S.A. - 28 December 2012;
- Conclusion of an agreement for the supply of thermal coal with ENEA Wytwarzanie S.A. – 15 January 2013;

Extraction and Capex:

- At the end of October, delivery of the second plough system for wall 2/VI/385 was completed, as provided for in an agreement of 31 May 2011.
- Concurrently with the delivery the wall reinforcement was underway; its test run began at the end of October 2012.
- In mid-February 2013 purchase agreement regarding the third plough system was signed; its start is scheduled for the third quarter of 2014.

Other:

- LW BOGDANKA S.A. received an award for implementing International Financial Reporting Standards in the financial statements of the LW BOGDANKA Group – 19 October 2012.
- The Supervisory Board appointed Mr Zbigniew Stopa to the position of the President of the Management Board of LW BOGDANKA S.A. – 23 November 2012.
- Change in the composition of the Management Board of the 7th term of office and the appointment of the Management Board of the 8th term of office – 25 January 2013.



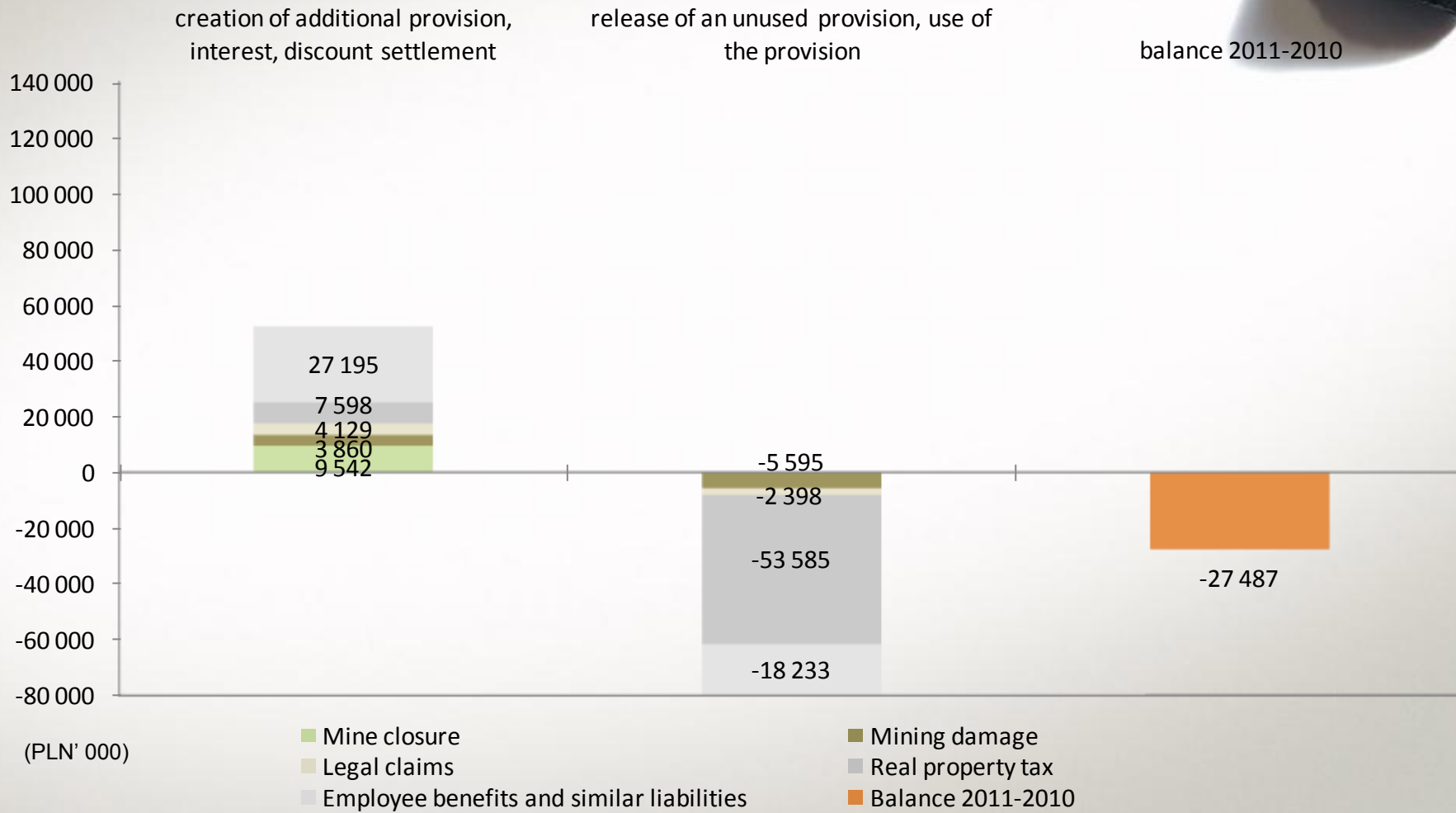
RESULTS OF THE LW BOGDANKA GROUP FOR 2012



Revenues	Increase in revenue on sales (by 41.07%)	The increase in total revenues is attributable to higher revenues on sales of coal (by 44.47%).
		Higher amount of coal sold (+31.06%)
		Higher unit sale price (+7.05%)
Operating expenses	Increase in operating expenses (by 42.38%)	Increase in costs of products, goods and materials sold (by 45.15%)
		Increase in administrative expenses (by 22.10 %) – including: real property tax (by 52.14%), costs of salaries and wages and provisions for employee benefits (by 15.05%), depreciation (by 40.42%)
		Depreciation – increase by 62.68% (increase in value of fixed assets depreciated with natural method [mining excavations] and with a straight-line method used for depreciation of other fixed assets)
		Contracted services — increase by 23.46% (increase in the costs of drilling, mining and similar works, performed mainly in the Stefanów field)
		Employee benefits – increase by 17.52% (higher number of employees, increase in average monthly salary)
Operating result (EBIT)	Increase in operating result (by 34.47%)	Higher nominal increase in revenue on sales relative to a change in operating expenses EBIT for 2012 at a level of PLN 357,348,000; higher than previous year's result by PLN 91,609,000
Profit before tax	Increase in gross profit (by 31.75%)	Profit before taxation for 4Qs of 2012 was PLN 358,325,000 against PLN 271,981,000 for 2011
Net profit/(loss)	Increase in net profit (by 30.98%)	Net profit for the financial year for the period from 1 January to 31 December 2012 amounted to PLN 289,782,000, as compared to PLN 221,246,000 in 2011

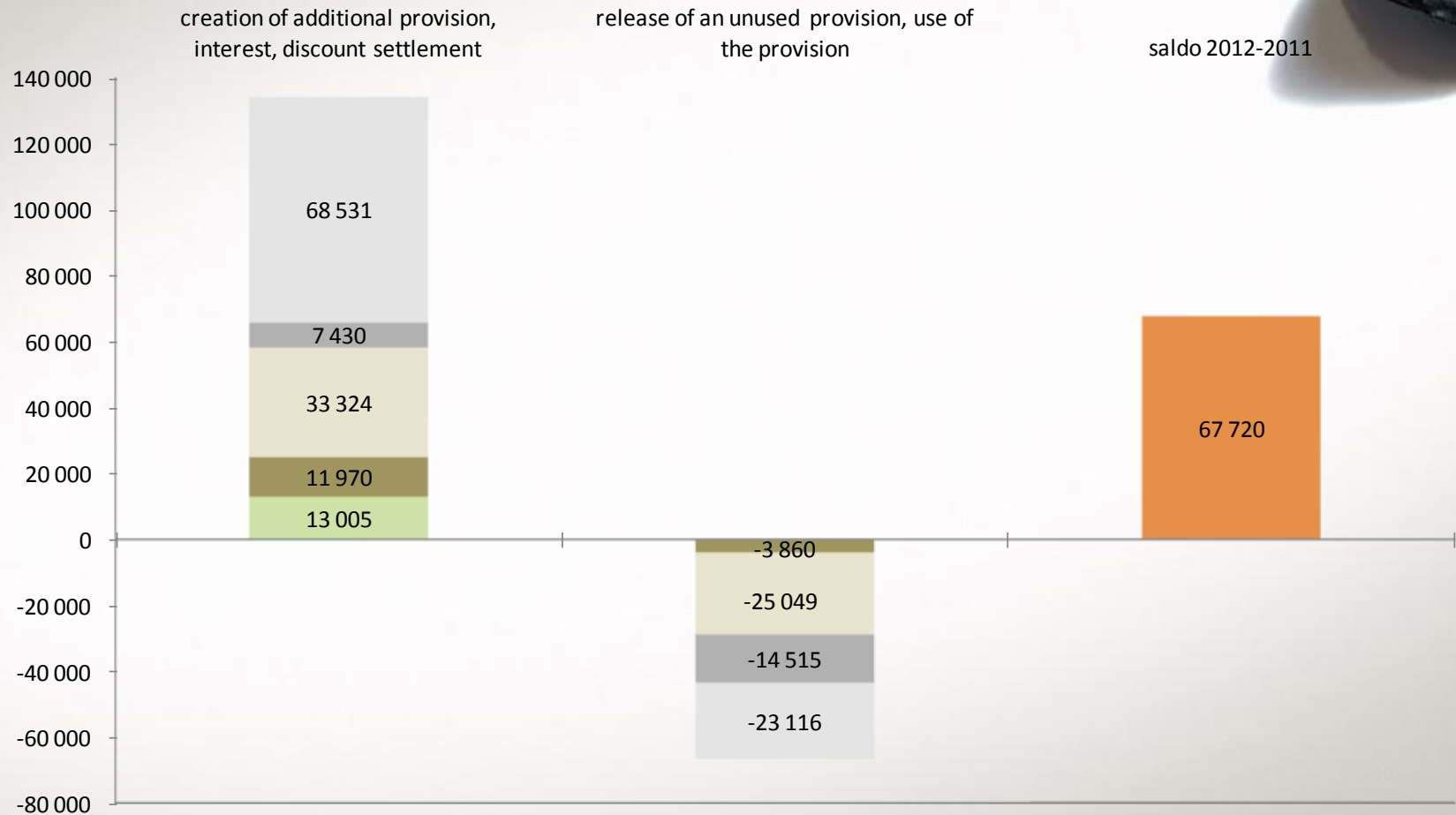


CHANGE IN RESERVES IN 2011 - 2010





CHANGE IN RESERVES IN 2012 - 2011



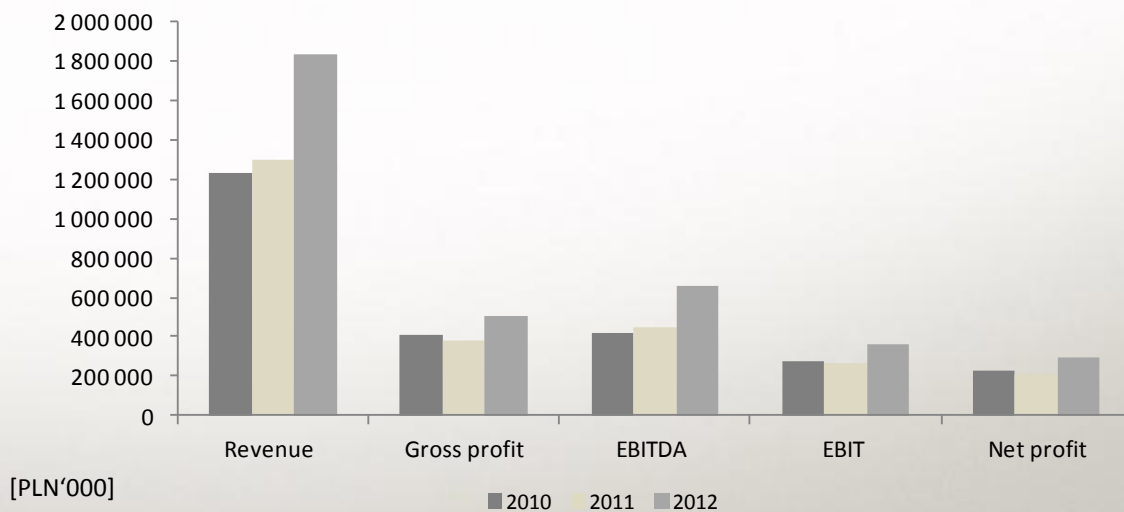
(PLN' 000)

- Mine closure
- Legal claims
- Employee benefits and similar liabilities
- Mining damage
- Real property tax
- saldo 2012-2011



RESULTS OF LW BOGDANKA GROUP FOR 2010, 2011 AND 2012

Item (PLN'000)	2010	2011	2012	Change 2012/ 2010 [%]	Change 2012/2011 [%]
Revenues	1 230 447	1 301 349	1 835 801	49.20	41.07
Gross profit	409 684	384 653	505 190	23.31	31.34
EBITDA	414 548	450 603	658 089	58.75	46.05
EBIT	276 472	265 739	357 348	29.25	34.47
Net profit	230 122	221 246	289 782	25.93	30.98

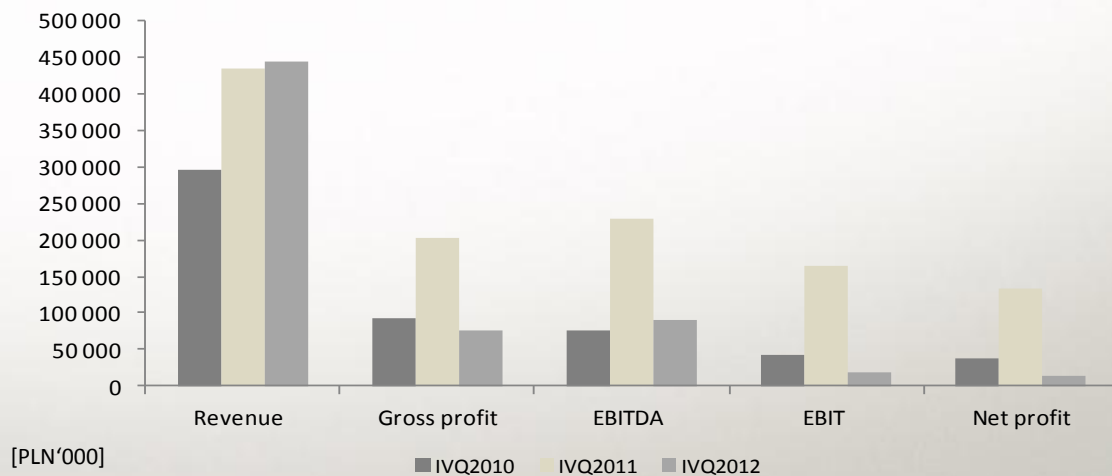




RESULTS OF THE LW BOGDANKA GROUP IN THE 4th QUARTER 2010, 2011 AND 2012

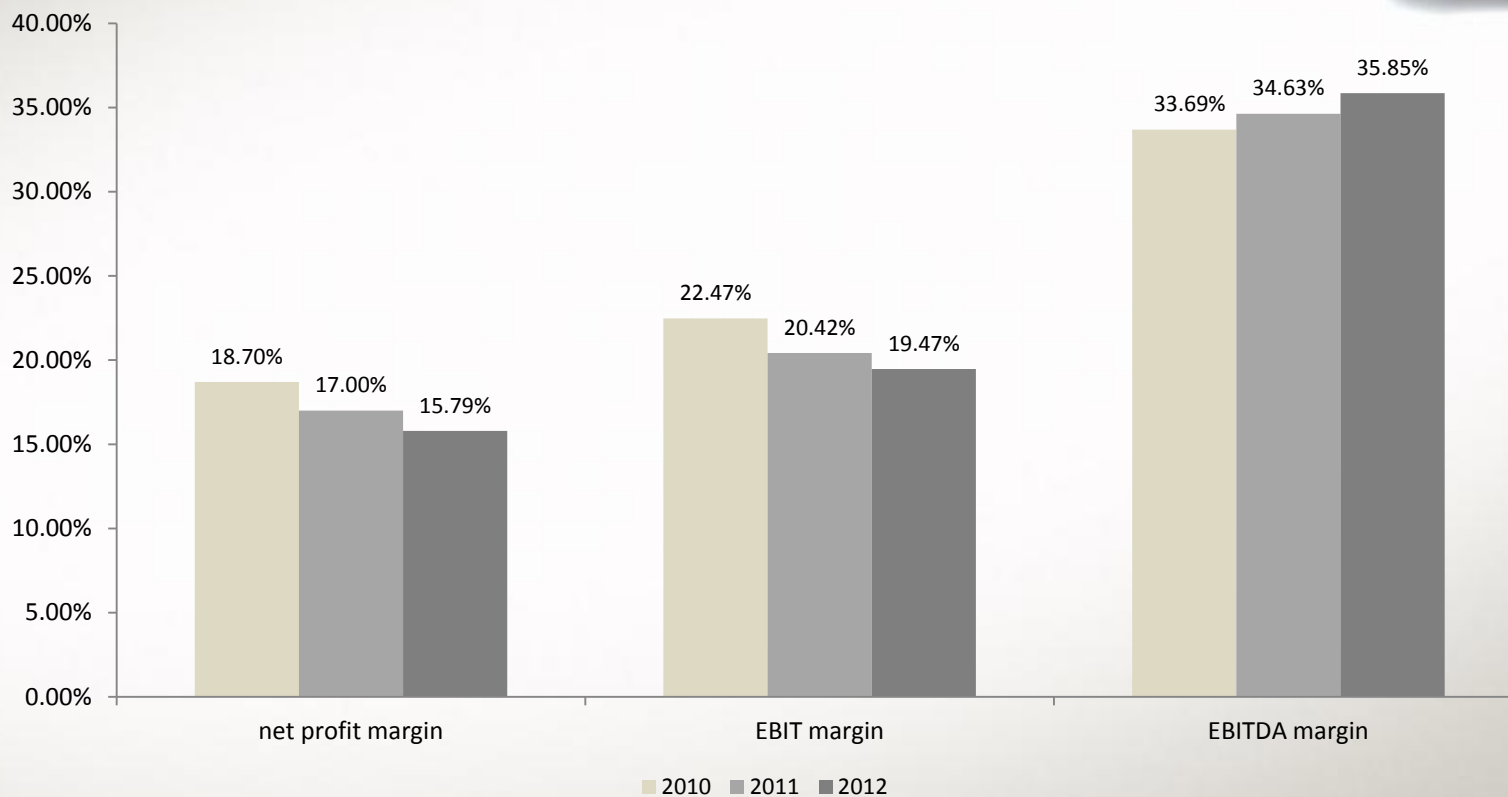


Item (PLN'000)	4Q2010	4Q2011	4Q2012	Change 4Q2012/ 4Q2010 [%]	Change 4Q2012/ 4Q2011 [%]
Revenues	296 223	435 588	443 561	49.74	1.83
Gross profit	92 452	201 773	75 958	-17.84	-62.35
EBITDA	77 090	229 941	90 613	17.54	-60.59
EBIT	43 332	164 048	18 870	-56.45	-88.50
Net profit	37 142	133 203	12 845	-65.42	-90.36





PROFITABILITY RATIOS – 2010, 2011 and 2012





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CAPEX OF THE LW BOGDANKA GROUP IN 2011, 2012 AND 2013 (PLAN)



Areas of projects		2011 [PLN '000]	2012 [PLN '000]	Plan 2013 [PLN '000]
Gr. 1	Development capex (development of the Stefanów field)	384 308	168 986	78 322
A	Technical infrastructure (shaft 2.1, development of MCPP, other)	246 439	91 901	78 322
B	Developing coal seams availability in the Stefanów field	137 869	77 085	0
Gr. 2	Other development expenditures	0	4 805	34 851
Gr. 3	Replacement capex	101 637	44 216	47 569
A	Modernisations and repair of equipment and devices	33 595	19 252	7 050
B	Building and modernisation of infrastructure and installations	68 042	24 964	40 519
Gr. 4	Environmental protection	1 527	10 885	12 353
Gr. 5	Building and modernisation of galleries in the Bogdanka, Nadrybie and Stefanów fields	116 389	140 867	308 790
Gr. 6	Purchase of equipment and devices	86 668	269 005	225 267
	TOTAL:	690 529	638 764	707 152



THANK YOU



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Company's investments in 2012

→ **Appendices – financial data**



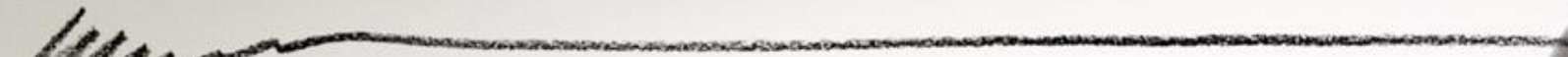
GK LW BOGDANKA - PROFIT AND LOSS ACCOUNT



(PLN '000)	2012	2011	Change 2012/2011 [%]
Revenues	1 835 801	1 301 349	41.07
Cost of products, goods and materials sold, sales and administration costs	1 472 270	1 035 717	42.15
Gross profit on sales	363 531	265 632	36.86
Other revenues	4 065	5 597	-27.37
Other costs	(1 822)	(2 434)	-25.14
Other profit (loss) net	(8 426)	(3 056)	175.72
EBIT margin [%]	19.47%	20.42%	-4.65
EBITDA	658 089	450 603	46,05
EBITDA margin (%)	35.85%	34.63%	3.52
Financial income	11 833	12 535	-5.60
Financial costs	(10 856)	(6 293)	72.51
Profit before tax	358 325	271 981	31.75
Income tax	68 543	50 735	35.10
Net profit	289 782	221 246	30.98
Net profit margin (%)	15.79%	17.00%	-7.12
- Profit attributable to company's shareholders	289 368	220 921	30.98



GK LW BOGDANKA - BALANCE SHEET



(PLN '000)	31.12.2012	31.12.2011
Fixed assets, including:	3 063 653	2 674 216
Cash and cash equivalents	68 031	58 288
Current assets, including:	421 503	402 012
Cash and cash equivalents	120 551	102 820
Total assets	3 485 156	3 076 228
Current liabilities	415 674	307 016
Non-current liabilities	773 108	626 566
Total liabilities	1 188 782	933 582
Equity	2 296 374	2 142 646
Current loans	20 000	-
Non-current loans	421 000	341 000



GK LW BOGDANKA - CASH FLOW



(PLN '000)	2012	2011
Operating cash flow	661 729	313 802
Operating cash inflow	739 729	342 263
Interest paid	(2 962)	(31)
Income tax paid	(75 038)	(28 430)
Investing cash flow	(604 737)	(726 489)
Acquisition of tangible fixed assets	(568 401)	(718 096)
Interest paid regarding investing activity	(19 785)	(13 157)
Acquisition of intangible fixed assets	(14 892)	(616)
Inflow from the sale of tangible fixed assets	221	233
Other net investing cash flow	11	1 373
Interest received	7 852	11 153
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	(9 743)	(7 379)
Financing cash flow	(39 261)	43 406
Loans and borrowings received	100 000	100 000
Loans and borrowings repaid	-	(9 000)
Interest and commission on loans and borrowings paid	(3 211)	-
Dividend paid to Parent Undertaking's shareholders	(136 050)	(47 619)
Other net financing cash flow	-	25
Increase (decrease) in cash and cash equivalents	17 731	(369 281)
Cash and cash equivalents at the beginning of period	102 820	472 101
Cash and cash equivalents at the end of period	120 551	102 820



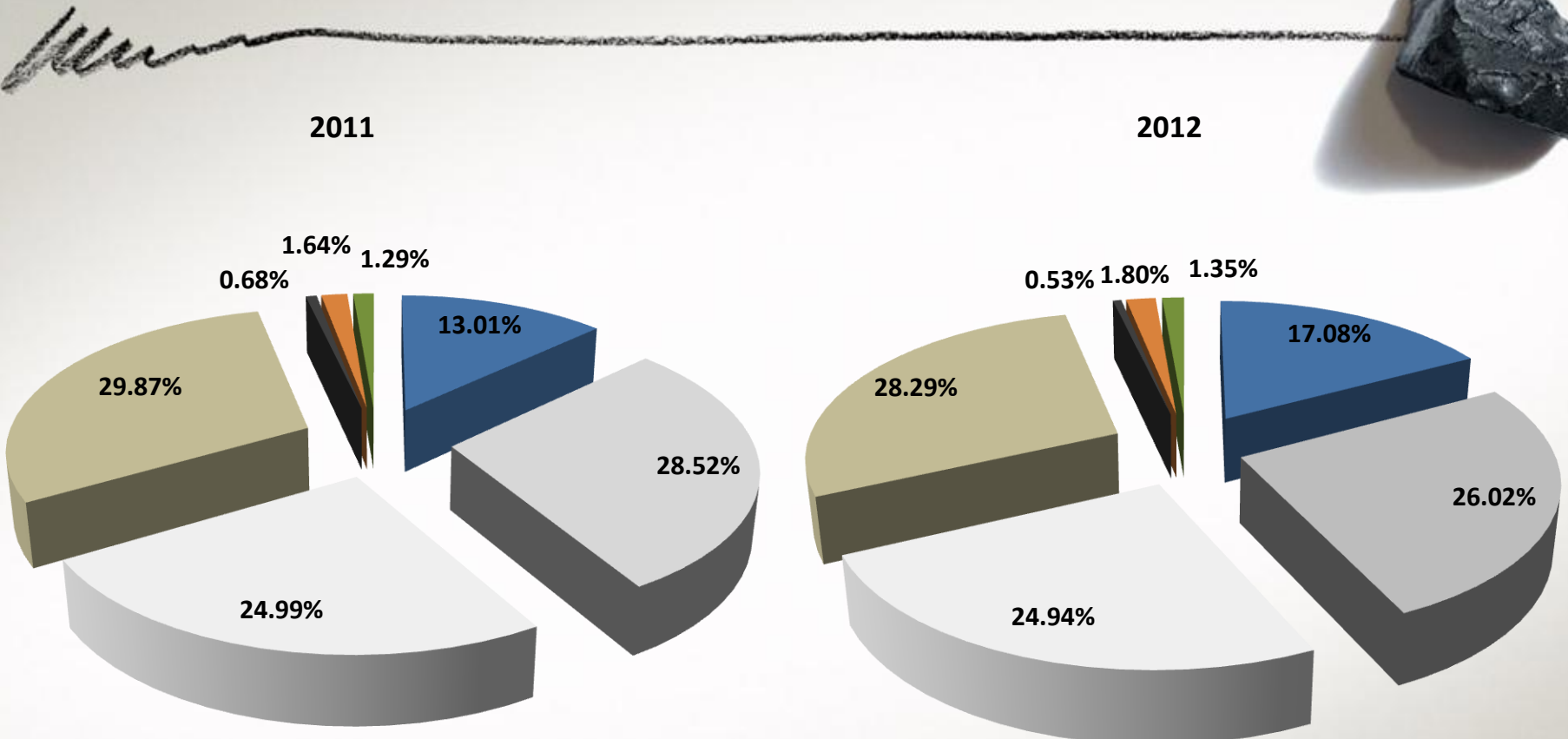
GK LW BOGDANKA – BREAKDOWN OF SALES



(PLN '000)	2011	Share [%]	2012	Share [%]
Coal sales	1 224 690	94.10	1 769 341	96.37
Sales of ceramics	8 678	0.67	6 749	0.37
Other activities	43 807	3.37	46 539	2.54
Sales of goods and materials	24 174	1.86	13 172	0.72
Total sales revenues	1 301 349	100	1 835 801	100



STRUCTURE OF COSTS BY TYPE AT LW BOGDANKA



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



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