



LW BOGDANKA

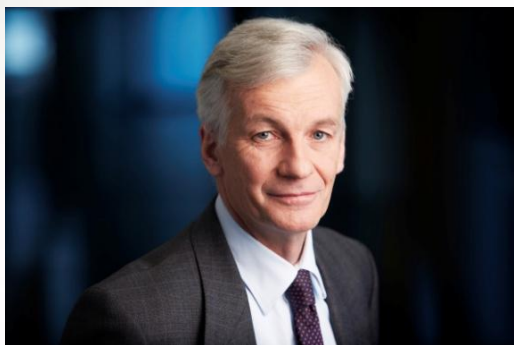
Consolidated financial results

Q1 2013

9 May 2013



PRESENTING TEAM



Roger de Bazelaire
Vice - President of the
Management Board
Chief Financial Officer



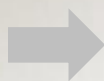
Zbigniew Stopa
President of the Management
Board



Waldemar Bernaciak
Vice President of the
Management Board for
Commerce and Logistics



AGENDA



Situation on the coal market

Key technical data

Key financial data

Company's investments in Q1 2013

Appendices – Financial data



DEMAND ON THE DOMESTIC MARKET* ...



- ❑ In Q1 2013 a decrease in demand for thermal coal in the domestic market was observed. Coal reserves on mounds stay at significant level.
- ❑ An average price of thermal coal (in all sizes) in Q1 2013 amounted to PLN 282.57 per tonne and was lower by 4.51% in comparison with the same period in the previous year.
- ❑ Situation of Silesian companies:
 - ✓ Extraction of thermal coal in the Silesian mines in Q1 2013 was 13.62 million tonnes, and was lower than for the analogous period of previous year by 5.9%;
 - ✓ Stock of thermal coal in mines at the end of Q1 2013 amounted to 7,536,000 tonnes which represents an increase in comparison to the same period of the previous year by 4,776,200 tonnes;
 - ✓ In Q1 2013, sales of thermal coal on the domestic market was 10,910,400 tonnes (almost 66.6% of total sales) and was lower by 7.8% (by 917,400 tonnes) compared to Q1 2012;
 - ✓ Average cost of sold coal (both thermal and coking) in Q1 2013 amounted to PLN 307.56 per tonne and was higher than Q1 2012 by 1.2%.

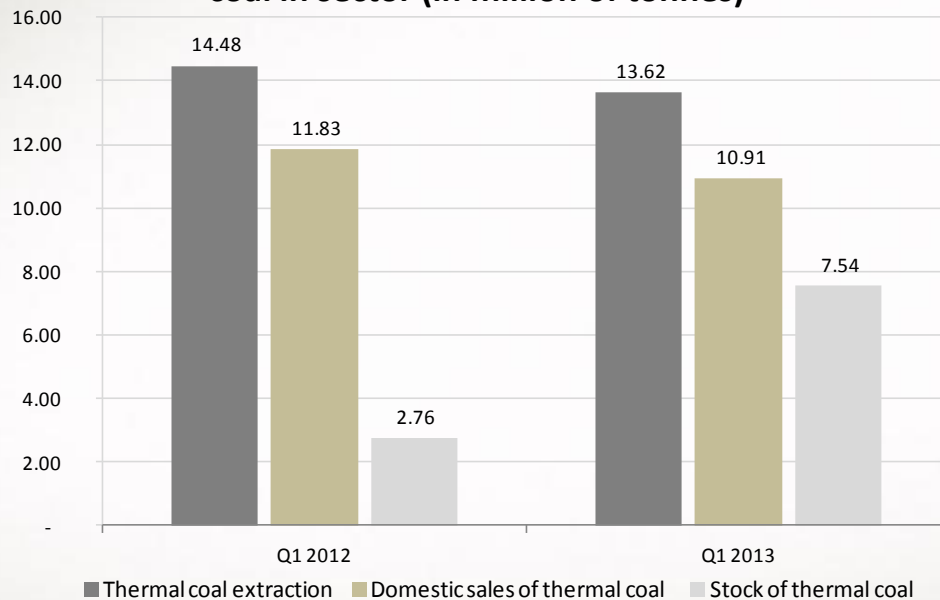
* Data from the Industrial Development Agency (Agencja Rozwoju Przemysłu)



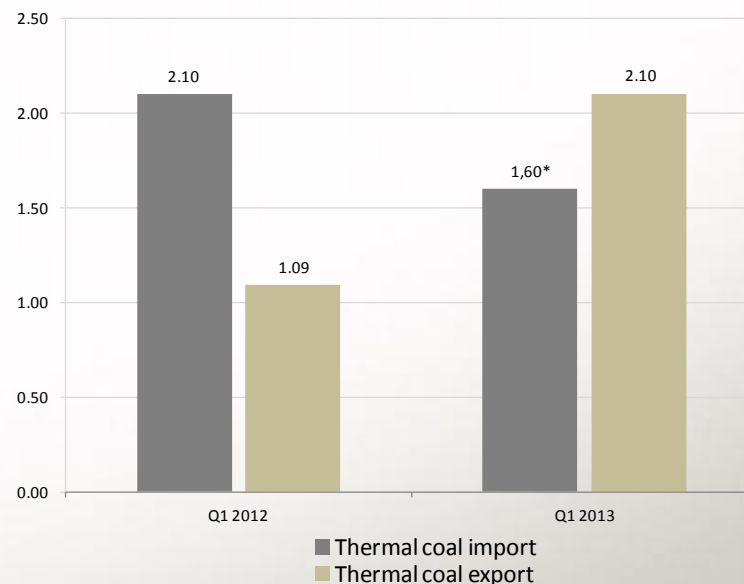
... HAS AN IMPACT ON EXTRACTION, SALES AND STOCK



Extraction, domestic sales and stock of thermal coal in sector (in million of tonnes)



Import and export of thermal coal (in million of tonnes)



* Estimated by LWB on the basis of Jan-Feb



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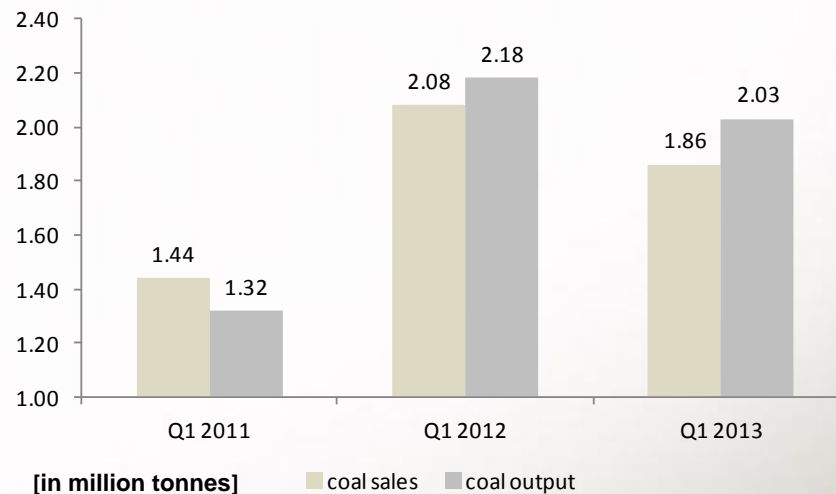
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EXTRACTION OF COMMERCIAL COAL IN LW BOGDANKA IN Q1 2013

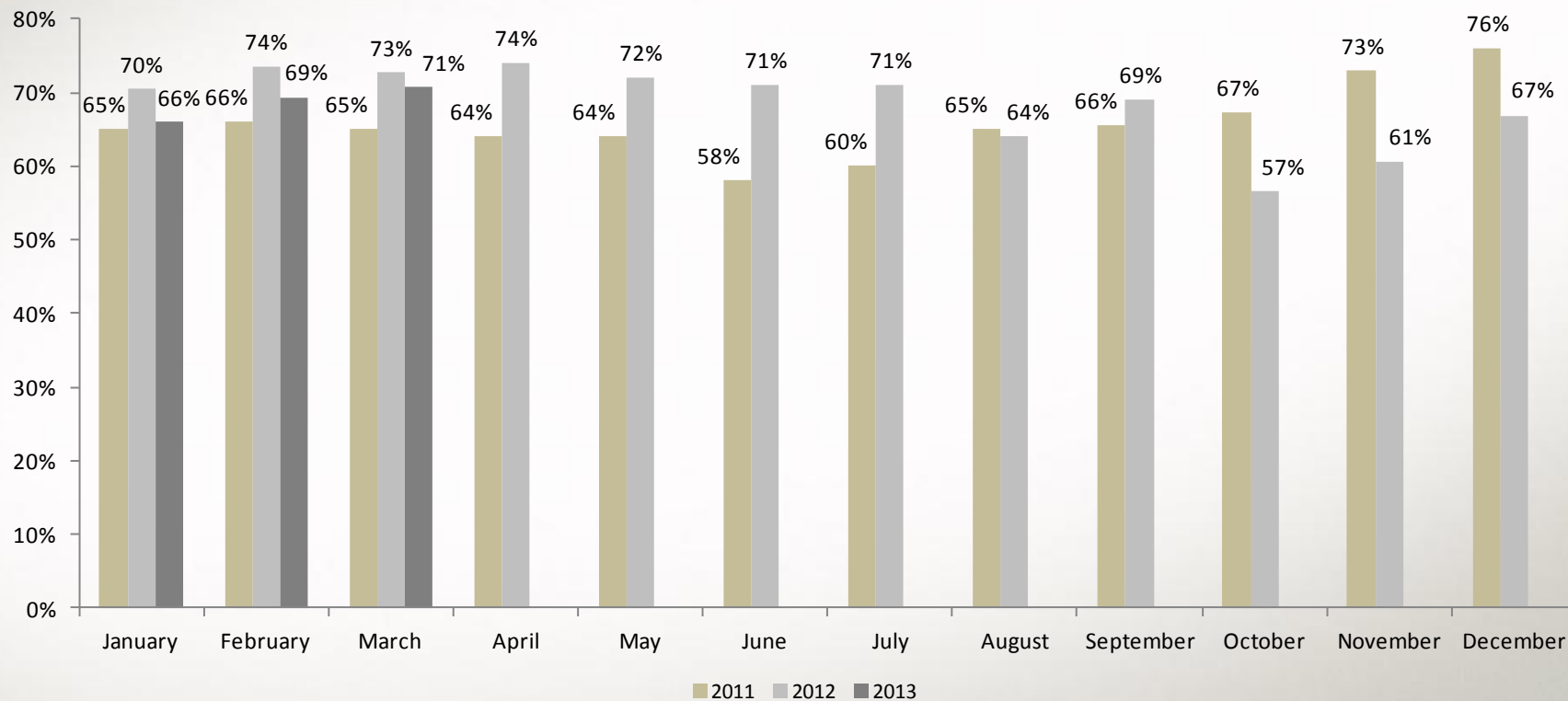


- **Gross extraction – 2.96 million tonnes for Q1 2013** (decrease by 1.89% in relation to Q1 2012) – in 2013 the number of production days was lower (by one day) than in 2012. Compared to Q1 2011, gross extraction in 2013 increased by 46.72%.
- **Net extraction – 2.03 million tonnes for Q1 2013** (-6.83% in relation to Q1 2012) – the difference in extraction of commercial coal is a result of an exceptional first quarter of 2012, and a less favourable geological structure of extracted deposits in Q1 2013 as well as lower number of production days. Compared to Q1 2011 net extraction for Q1 2013 increased by 53.65%.
- **Sales of coal** - from 1 January to 31 March 2013, **1.86 million tonnes** of coal were sold, i.e. less by 10.74% (-0.22 million tonnes) than in the same period in the previous year. Extraordinary sales in Q1 2012 resulted from completion of orders placed in a previous quarter (before the launch of the Stefanów shaft). The sales level achieved in Q1 2013 is in line with the Company's plans, and the sales dynamics in relation to Q1 2011 was +28.90%.
- Works are continued with a view to **making new excavations available**, so that the planned increase of extraction in following years can be achieved. Between 1 January and 31 March 2013 6.84 km galleries were made – in the analogous period of the previous year the figure was 5.86 km, which gives a year-on-year change of +0.98 km, i.e. +16.7%).



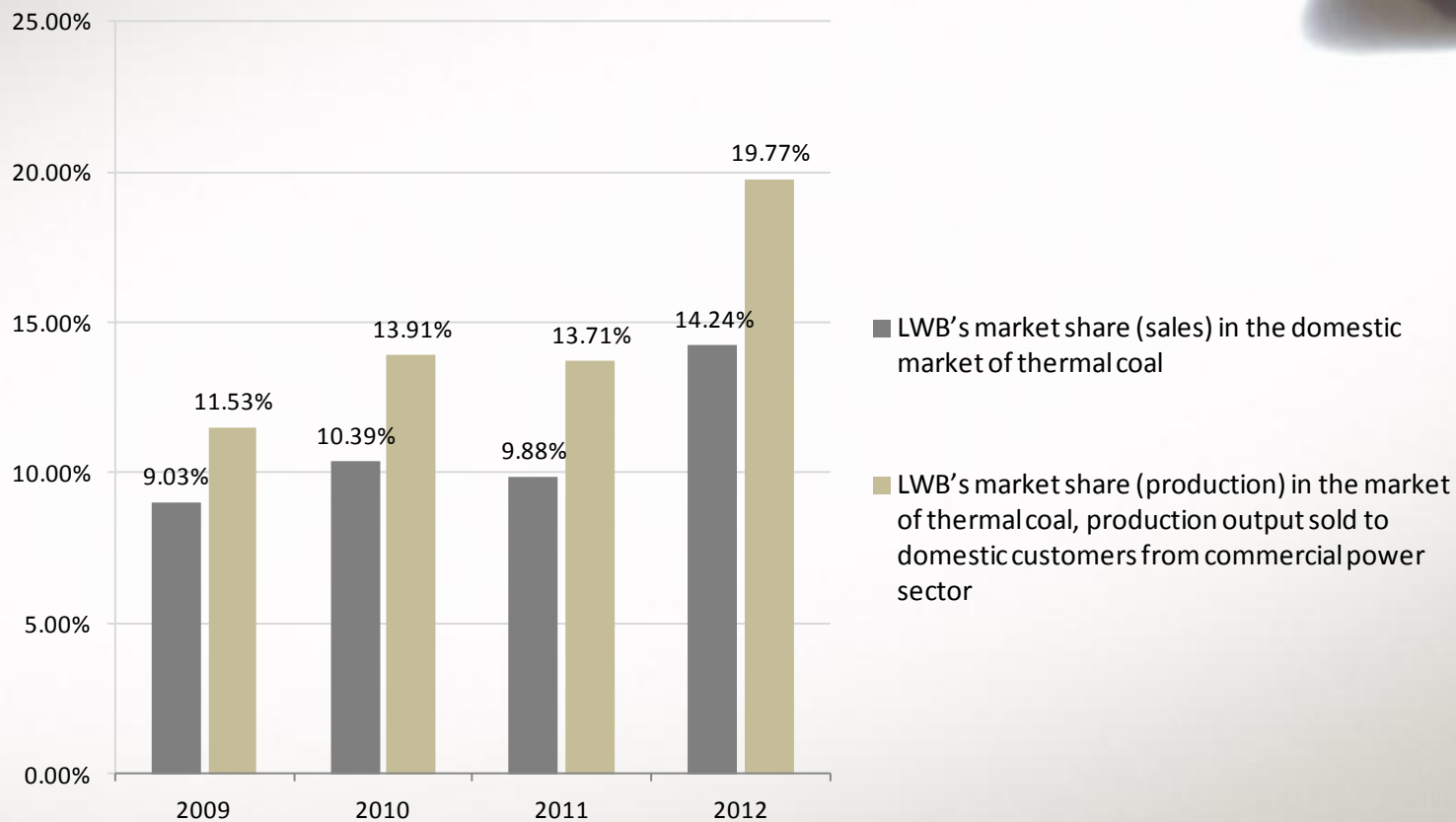


LW BOGDANKA S.A. - COAL YIELD RATIO





MARKET POSITION OF LW BOGDANKA S.A.





KEY EVENTS



✓ Trade agreements:

- Conclusion of a significant agreement with **ENEA Wytwarzanie S.A.** – 15 January 2013.
- Conclusion of an additional agreement, an annex to the annual agreement and an annex to the significant agreement with **ENEA Wytwarzanie S.A.** – 29 March 2013.
- Concluding an annex to the significant agreement with **PGNIG Termika S.A.** – 29 April 2013.

✓ Extraction and investments:

- Mid-February 2013: signing an agreement with **Caterpillar Global Mining sp. z o.o.** for a **purchase of the third ploughing complex** – the start-up is planned for the third quarter of 2014.
- 8 May 2013: signing of a **letter of intent with GDF SUEZ Energia Polska** regarding cooperation in the construction of a coal power plant in the Lublin region.

✓ Other:

- **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.
- **Dismissal of a claim** of a former member of the Company's Supervisory Board elected by the employees for declaring a resolution of the Annual General Shareholders Meeting invalid – 11 April 2013.



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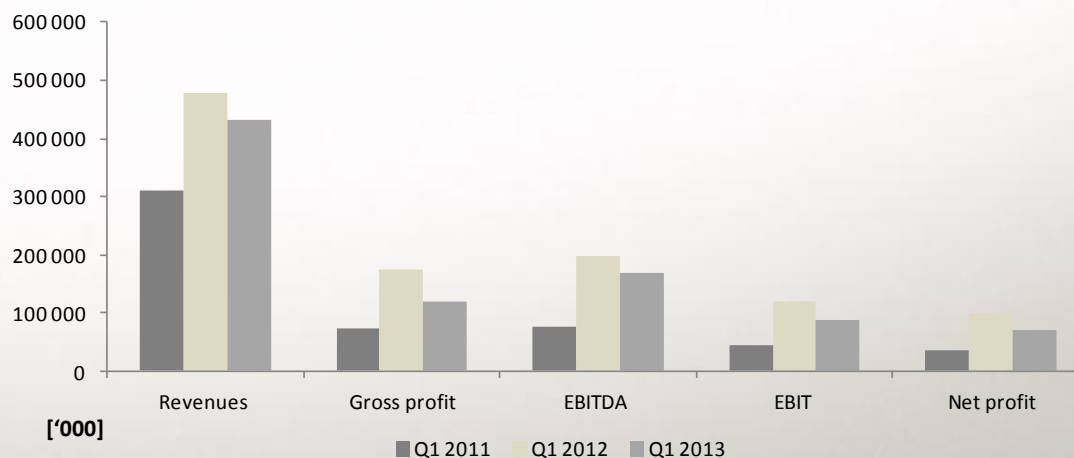
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RESULTS OF THE LW BOGDANKA GROUP FOR FIRST QUARTER OF 2010, 2011, 2012



Item (PLN'000)	Q1 2011	Q1 2012	Q1 2013	Change Q1 2013/Q1 2011 [%]	Change Q1 2013/Q1 2012 [%]
Revenues	309 961	477 302	430 758	39	-10
Gross profit	72 818	175 929	120 792	66	-31
EBITDA	77 906	199 046	170 336	119	-14
EBITDA margin	25.13%	41.70%	39.54%	57	-5
EBIT	43 698	119 297	87 438	100	-27
EBIT margin	14.10%	24.99%	20.30%	44	-19
Net profit	35 958	99 210	69 926	95	-30





THE LW BOGDANKA GROUP IN FIRST QUARTER 2013



Operational parameters:

- ✓ **Gross extraction** in Q1 2013 – **2.96 million tonnes** (in relation to Q1 2012 down by **1.89%**) – due to a lower number of production days in 2013 than in 2012 (by one day)
- ✓ **Net extraction** in Q1 2013 – **2.03 million tonnes** (in relation to Q1 2012 down by **6.83%**)
- ✓ **Coal yield ratio** in Q1 2013 (68.54%) – lower than in Q1 2012 (72.17%), however remaining at a level of the 2012 average (68.38%) and higher than in the entire 2011 (66.50%)
- ✓ **Coal sales** in Q1 2013 – **1.86 million tonnes** (in relation to Q1 2012 down by **31.06%**), in line with the Company's plans
- ✓ **Stocks** as at 31 March 2013 – **0.19 million tonnes** (in relation to Q1 2012 up by **10.74%**), at a level of a seven-day production
- ✓ Between 1 January and 31 March 2013 **6.84 km of galleries** were made – in analogous period of the previous year the figure was 5.86 km (+16.8%)

Financial parameters:

- ✓ **Revenues on sales** Q1 2013: **PLN 430.76m vs. PLN 477.30m** in the analogous period of 2012 (down by **9.75%**), which was primarily affected by lower revenue on the sale of coal (lower quantitative sale of coal with a slightly higher coal sales price)
- ✓ **Cost of products, goods and materials sold** Q1 2013: **PLN 309.97m vs. PLN 301.37m** in Q1 2012 – higher costs result from a lower output (more and longer galleries were made, less advantageous structure of the deposits subject to extraction)



RESULTS OF THE LW BOGDANKA FOR Q1 2013



- ✓ **Selling and administrative costs**

Q1 2013: **PLN 22.29m vs. PLN 20.80m** in the analogous period of 2012, which was primarily due to higher costs of contracted services (costs of advisory services), salaries and wages as well as related costs (employee costs) and amortisation/depreciation and the real property tax; selling costs remained at the Q1 2012 level
- ✓ **Other net profit/loss**

Q1 2013: **PLN -3.14m vs. PLN -26.46m** in the analogous period of 2012; in Q1 2012 a provision was made for claims related to future investment liabilities resulting from settlement of works performed by Mostostal Warszawa S.A. on the facilities of the Mechanical Coal Processing Plant
- ✓ **Operating profit (EBIT)**

Q1 2013: **PLN 87.44m** (down by **26.71%** as compared to Q1 2012)

EBIT for Q1 2013 is below the level recorded for Q1 2012 (20.30% vs. 24.99%), but higher than an average for the entire 2012 (19.47%). Margin for Q1 2013 remains at the level of the margin for the entire 2011 (20.42%).
- ✓ **Profit/ loss on financial operations**

Q1 2013: loss of **PLN 0.01m** against a profit of PLN 4.41m:

 - drop of financial income is a result of lower average annual level of cash in the Group
 - In Q1 2013 a portion of interest was charged against the costs of the period, while a year before all interest increased the value of expenditure for fixed assets in construction
- ✓ **Net profit**

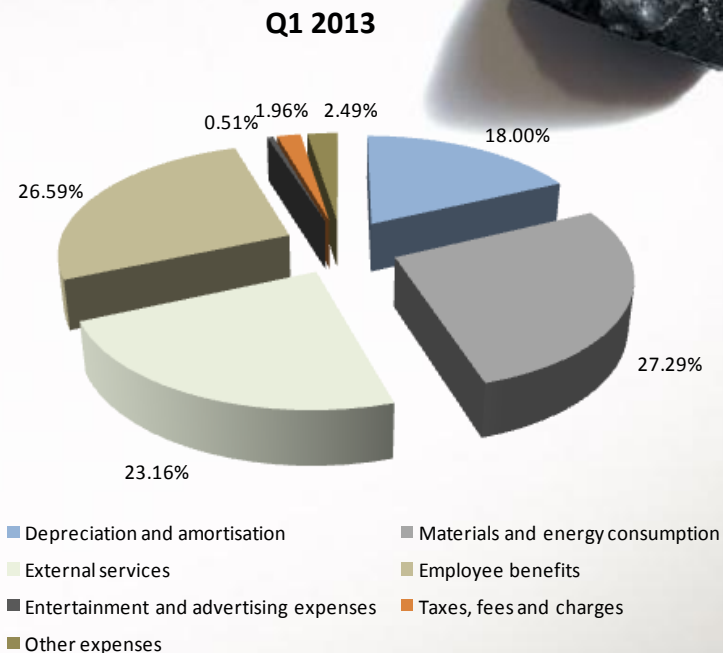
Q1 2013: **PLN 69.93m** (down by **29.52%** as compared to Q1 2012)



STRUCTURE OF COSTS BY TYPE AT LW BOGDANKA

Item ['000 PLN] Q1 2013 Q1 2012 Change [%]
(2013/2012)

Depreciation and amortisation	81 970	78 763	4.07%
Materials and energy used	124 304	109 848	13.16%
Contracted services	105 476	95 145	10.86%
Employee benefits	121 089	105 148	15.16%
Entertainment and advertising expenses	2 334	2 559	-8.79%
Taxes and charges	8 945	9 023	-0.86%
Other expenses	11 348	14 097	-19.50%
TOTAL COSTS BY TYPE	455 466	414 583	9.86%
Change in inventory of products and accruals and deferrals	-27 755	-14 998	85.06%
Value of activities for the Company's own needs and IAS presentation adjustments	87 046	69 215	25.76%
Costs by type after corrections	340 665	330 370	3.12%

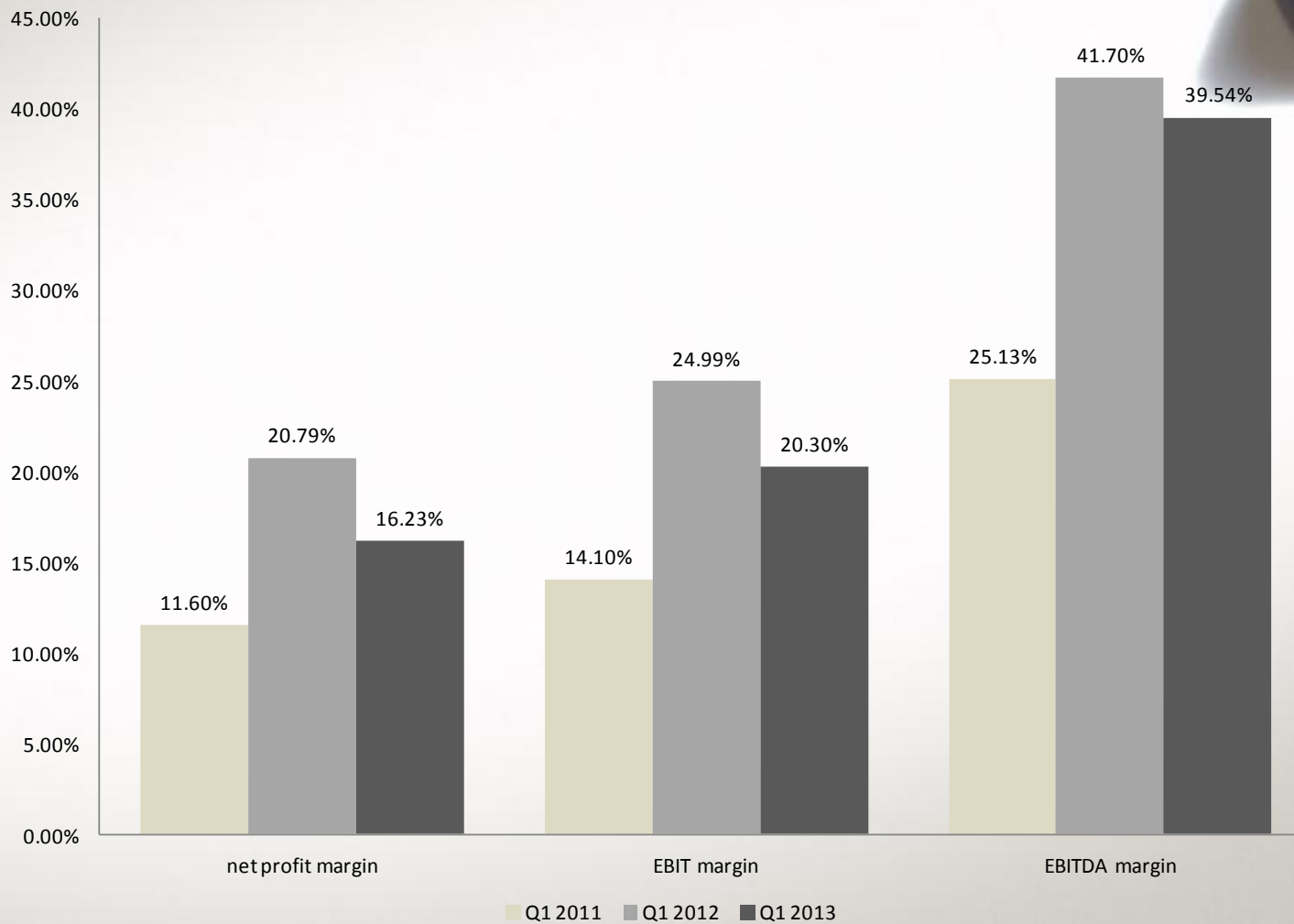


The change in the level of costs at LW BOGDANKA S.A. was primarily attributable to:

- ✓ 17% more galleries were made – increase in costs of materials and contracted services
- ✓ Drop in the output (in connection with a higher number of galleries) – higher maintenance costs of the Mechanical Coal Processing Plant
- ✓ Operation of two ploughing walls, while a year before only one wall was in operation (higher costs of materials, including spare parts)
- ✓ Increase in value of rail transport (contracted services) – these costs are further re-invoiced to the end coal customer
- ✓ Increase in employee benefits is a consequence of both a higher number of employees, a signed agreement on increasing the average monthly pay at the Company and an additional allowance for the Social Benefits Fund (in 2012 this additional allowance was made in Q3).



PROFITABILITY RATIOS FOR FIRST QUARTER OF 2011, 2012 i 2013





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KEY MATERIAL INVESTMENTS OF THE LW BOGDANKA GROUP IN Q1 2012 AND Q1 2013



	Investment projects [PLN '000]	Implementation 2012	Implementation Q1 2012	Plan 2013	Implementation Q1 2013
Gr. 1	Development capex (development of the Stefanów Field)	168 986	47 537	78 322	5 840
A	Technical infrastructure (shaft 2.1, development of MCPP, other)	91 901	31 954	78 322	5 840
B	Developing coal seams availability in the Stefanów Field	77 085	15 583	0	0
Gr. 2	Other development expenditures	4 805	0	34 851	120
Gr. 3	Replacement capex	44 216	8 037	47 569	5 761
A	Modernisations and repair of equipment and devices	19 252	3 371	7 050	2 330
B	Building and modernisation of infrastructure and installations	24 964	4 667	40 519	3 431
Gr. 4	Environmental protection	10 885	631	12 353	1 380
Gr. 5	Building and modernisation of galleries in the Bogdanka, Nadrybie and Stefanów Fields	140 867	38 409	308 790	60 801
Gr. 6	Purchase of equipment and devices	269 005	26 701	225 267	31 060
	TOTAL:	638 764	121 315	707 152	104 961



THANK YOU



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THE LW BOGDANKA GROUP - PROFIT AND LOSS ACCOUNT



[PLN '000]	Q1 2013	Q1 2012	Change Q1 2013/Q1 2012 [%]
Revenues	430 758	477 302	-9.75
Cost of products, goods and materials sold, sales and administrative costs	(342 249)	(332 091)	3.06
Gross profit on sales	88 509	145 211	-39.05
Other revenue	2 427	784	209.57
Other costs	(356)	(240)	48.33
Operating profit (loss) net	(3 142)	(26 458)	-88.12
EBIT margin [%]	20.30%	24.99%	-18.77
EBITDA	170 336	199 046	-14.42
EBITDA margin [%]	39.54%	41.70%	-5.18
Financial income	1 268	4 409	-71.24
Financial costs	(1 277)	(3)	42466.67
Profit before tax	87 429	123 703	-29.32
Income tax	(17 503)	(24 493)	-28.54
Net profit	69 926	99 210	-29.52
Net profit margin [%]	16.23 %	20.79%	-21.93
- Profit attributable to company's shareholders	69 694	99 106	-29.68



THE LW BOGDANKA GROUP - BALANCE SHEET



[PLN '000]	31.03.2013	31.12.2012
Fixed assets, including:	3 085 581	3 063 653
Cash and cash equivalents	68 830	68 031
Current assets, including:	420 308	421 503
Cash and cash equivalents	74 364	120 551
Total assets	3 505 889	3 485 156
Current liabilities	411 960	415 674
Non-current liabilities	727 629	773 108
Total liabilities	1 139 589	1 188 782
Equity	2 366 300	2 296 374
Current loans	65 000	20 000
Non-current loans	371 000	421 000



THE LW BOGDANKA GROUP - CASH FLOW



[PLN '000]	Q1 2013	Q1 2012
Operating cash flow	133 391	202 734
Operating cash inflow	145 701	226 663
Interest paid	420	(3)
Income tax paid	(12 730)	(23 926)
Investing cash flow	(173 816)	(138 662)
Acquisition of tangible fixed assets	(168 571)	(133 125)
Interest paid regarding investing activity	(4 389)	(4 850)
Acquisition of intangible fixed assets	(565)	(183)
Inflow from the sale of tangible fixed assets	9	51
Other net investing cash flow	-	(1 297)
Interest received	499	1 082
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	(799)	(340)
Financing cash flow	(5 762)	50 000
Loans and borrowings received	-	50 000
Loans and borrowings repaid	5 000	-
Interest and commission on loans and borrowings paid	(762)	-
Dividend paid to Parent Undertaking's shareholders	-	-
Other net financing cash flow	-	-
Increase (decrease) in cash and cash equivalents	(46 187)	114 072
Cash and cash equivalents at the beginning of period	120 551	102 820
Cash and cash equivalents at the end of period	74 364	216 892




THE LW BOGDANKA GROUP - SALES STRUCTURE



Item [PLN '000]	Q1 2013	Share [%]	Q1 2012	Share [%]
Coal sales	410 624	95.33	462 340	96.87
Sales of ceramics	336	0.08	1 889	0.39
Other activities	17 111	3.97	10 392	2.18
Sales of goods and materials	2 687	0.62	2 681	0.56
Total sales revenue	430 758	100	477 302	100



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