



Lubelski Węgiel BOGDANKA S.A.

STRATEGY 2020

2x2





DISCLAIMER

This presentation ('the Presentation') has been prepared by LW BOGDANKA S.A. ('the Company'). The information contained in this Presentation has been gathered and prepared with due diligence, based on facts and information originating from sources which the Company views as reliable, and in particular based on the Company's investigations and estimates made on the basis of publicly available information or own information that does not constitute inside information within the meaning of Article 154 of the Act on Trading in Financial Instruments. The Company shall not be responsible for any use or misuse of this Presentation.

The information contained in this Presentation does not constitute a recommendation, investment advice or legal or tax advice, nor is it an indication that any investment or strategy is appropriate or individually addressed to any investor. The Company does not guarantee the completeness of the information contained in this Presentation and assumes no responsibility for the results of investment decisions made on the basis of this Presentation. Responsibility for investment decisions and any potential losses incurred as a result of such decisions is borne exclusively by the party making the decision. Each investor making an investment decision on the basis of this Presentation is required to make its own assessment of the benefits and risks associated with the sale or acquisition

of shares in the Company based on this Presentation as well as the Company's current and periodic reports.

Some of the information contained in this Presentation is, by its very nature, marked by risk and uncertainty, as it relates to events and depends on circumstances that may or may not occur in the future. Such information is based on assumptions relating to the Company's current or future strategies and the business environment in which the Company will operate in the future. As such, the actual results may substantially differ from the plans, objectives and expectations expressed in this Presentation. Also, some of the information may become outdated and the Company does not undertake to inform anyone, should this be the case.

This Presentation has been prepared for information purposes only and does not constitute an offer within the meaning of civil law, a public offering within the meaning of the laws on public offering, nor is it a proposal, advertisement or invitation to acquire shares in the Company.

Nothing in this Presentation creates an obligation to enter into any agreement or to establish any legal relationship to which the Company would be a party.



LW BOGDANKA S.A. Today



❑ LW BOGDANKA S.A.:

- One of Poland's largest **thermal coal** producers
- **Three coal fields**
- **Poland's most efficient** hard coal mine
- **Most advanced** hard coal mine in Poland
- Commercial coal mined in 2012: **7.78 million tonnes**
- Thermal coal **market share** in Poland in 2012: **14%**
- **Underground productivity** in 2012: approximately **3 times above** the national average

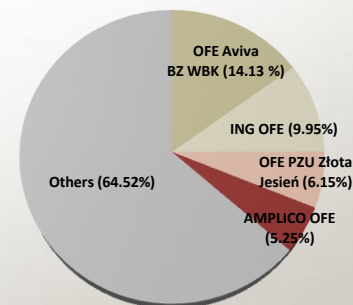
❑ FINANCIAL DATA (2012 consolidated):

- **Revenue:** PLN 1.8 billion
- **Net profit:** PLN 290 million
- **Capital expenditure:** PLN 640 million
- **EBIT margin:** 19%
- **EBITDA margin:** 36%

❑ SHAREHOLDER STRUCTURE

❑ ON THE WARSAW STOCK EXCHANGE:

- **WIG20, WIG-surowce**
- **Respect Index**
- Number of shares: **34,013,590**
- Listed on **the Warsaw Stock Exchange** since June 2009 (code: LWB)
- **Capitalisation: PLN 4.1 billion** (May 2013)



Based on notifications from shareholders in 2010 and 2013





LW BOGDANKA S.A.'s **2x2 Strategy – Key Elements**



COAL PRODUCTION x 2

Completion of the investment process to **double production** and reinforce BOGDANKA'S position as the leading supplier of coal to commercial power plants

RESERVES x 2

Doubling of LW BOGDANKA S.A.'s recoverable reserves in the Lublin Coal Basin and extension of the mine's operating life to about 2050



Hard Coal – Poland's Main Source of Energy until 2020



According to forecasts:

- ❑ In 2013-2020, there will be a stable demand for hard coal-based primary energy in Poland, of **approximately 35 million tonnes or 67 million Mg** of thermal coal ¹⁾
- ❑ Production of electricity based on the existing and new thermal coal units will amount to **ca. 82 million TWh** in 2013-2020, which equates to approximately **38 million Mg*** of coal ^{1), 2), 3)}
- ❑ Production of electricity will be more expensive with natural gas than with coal (based on the current and forecast CO₂ certificate prices)⁴⁾
- ❑ Shale gas will have no significant effect on the Polish market before 2020⁵⁾
- ❑ **Coal gasification and new low-emission technologies** in the power sector will provide growth opportunities for the Polish coal market⁶⁾



1) Poland's energy policy until 2030 - Appendix 2: Forecast demand for fuel and energy until 2030, Ministry of the Economy. Warsaw, November 10th 2009.

2) Mineral and Energy Economy Research Institute of the Polish Academy of Sciences, Z. Grudziński, 2012: Methods of evaluating the competitiveness of Poland's hard coal for the production of electricity. Studies, Theses and Monographs No. 180, IGSMiE PAN Publishing House, Kraków, p. 271.

3) Ministry of the Economy – Report on the results of electricity supply security monitoring for January 1st 2009 to December 31st 2010, Warsaw 2011 (published on November 27th 2011).

4) CONSUS – emissions trading (www.consus.eu).

5) J. Siemek, M. Kaliski, P. Janusz, S. Sikora, A. Szurlej, 2011 – The effect of shale gas on the natural gas market in Poland. Rynek Energii vol. 5, pp. 118-124.

6) A National Centre for Research and Development project, "Coal gasification technology development for high-efficiency production of fuels and energy", by AGH University of Science and Technology, Central Mining Institute, and Institute for Chemical Processing of Coal.

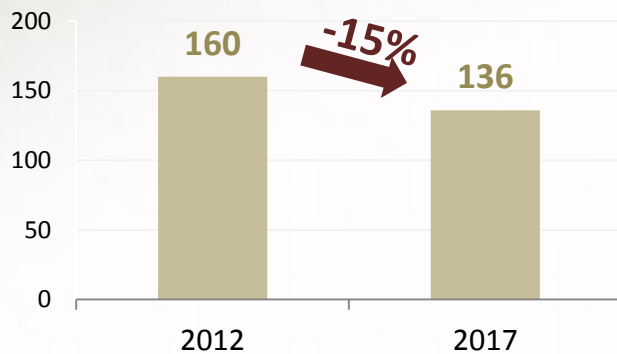
*Assuming that combusting 0.46 tonnes of coal with calorific value of 22 MJ/kg is needed for the production of 1 MWh of electricity.



To Remain the Leader in Mining Efficiency:



Unit Mining Cash Cost (PLN/tonne)



- ❑ Planned reduction of **the Unit Mining Cash Cost*** **by 15%** by 2017 in real terms

- ❑ **Continuous improvement of extraction efficiency** through:
 - Work organisation
 - Use of innovative technologies and equipment
- ❑ **Increased outsourcing** in support of higher production and cost flexibility

*For a definition of Unit Mining Cash Cost, see Slide 21



LW BOGDANKA S.A. – Strategic Objectives for 2013-2020



- ❑ Long-term, sustainable growth to maintain the Company's competitive advantage, and optimal use of internal growth potential to:
 - **keep our position as the leader in mining efficiency**
 - **and maintain our leadership in innovative technological solutions - Intelligent Mine**

by

- ❑ Pursuing a strategy aimed at **doubling the production capacity** and the market share:
 - **Completion of the investment process designed to double production**
 - Strengthening of BOGDANKA'S stable position as the leading supplier of coal, especially for commercial power plants – **reaching a 20% share in the market for thermal coal in Poland**

- ❑ Implementing an action plan to **double resources** and extend the mine's operating life to about 2050:
 - **Obtaining licences and developing new, prospective areas**, allowing the Company to operate beyond 2034
- ❑ Carrying out **efficiency improvement** projects
- ❑ Creating **potential synergies with energy producers**

- ❑ Complying with the highest standards of **Corporate Governance, Corporate Social Responsibility and Sustainable Development**

which will lead to

- ❑ **Maximised positive cash flows and return on invested capital** for shareholders through a stable dividend policy and continued growth of the Company's value



Maintaining Our Leadership in Innovative Technological Solutions – Intelligent Mine



- ❑ Full use of a decision support system in the process of preparing a deposit for extraction
 - **Unique** in Polish underground mining
 - A result of **the production process computerisation and automation strategy** implemented at LW BOGDANKA S.A.
 - Incorporates global **cutting-edge mining solutions**

- ❑ Continued development of a **deposit management system** (designed with the Polish Academy of Sciences):
 - **Digital deposit modelling** (to date, the only one in the Polish hard coal mining sector)
 - **Digital map of underground workings**
 - **Digital work schedule for opening out and preparation of workings and production of coal**

- ❑ Construction of an **INTELLIGENT MINE**
 - **Object-based map of underground infrastructure** at LW BOGDANKA S.A. - under construction
 - **Centralised database**
 - **Subsequent steps**
 - **Active tags** - monitoring the condition of underground infrastructure on a map of underground workings, with personnel identification
 - **Wireless communication**
 - **Electronic notepads**

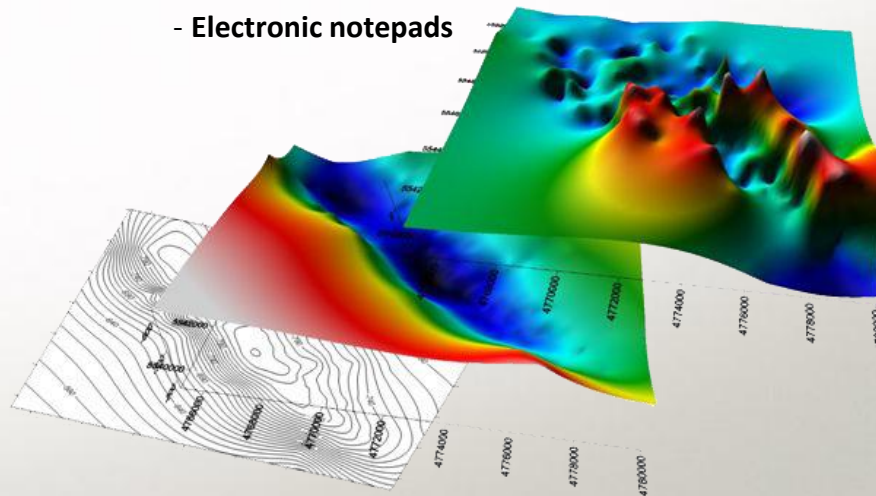
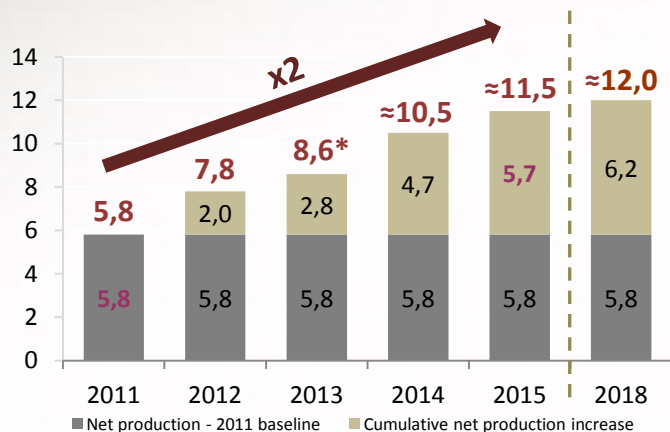


Fig. Seam 389 - heading and thickness model



Completion of the Investment Process Designed to Double Production

Net coal production at LW BOGDANKA S.A.
(million tonnes)



- ❑ Significant infrastructure investments, including the expansion of **the Mechanical Coal Processing Plant to a capacity of up to 2,400 tonnes per hour**, will be completed in 2014
- ❑ Additional investments in the modernisation of Shaft 1.5 in the Nadrybie Field will allow net production capacity to increase **up to approximately 12 million tonnes in 2018**

* Plan for 2013: 8.6-9.0 million tonnes

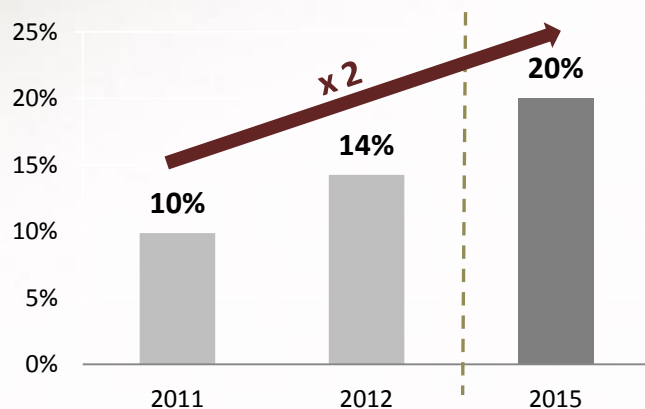




20% Share in the Thermal Coal Market by 2015



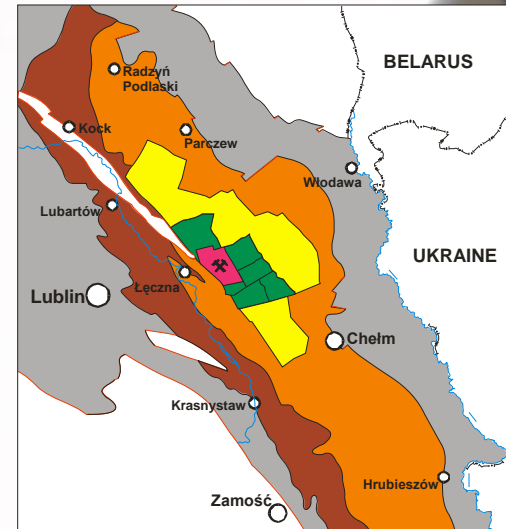
Share of LWB sales
in the Polish thermal coal market



- ❑ BOGDANKA'S share in the thermal coal market increased significantly **from ca. 10% in 2011 to ca. 14% in 2012**
- ❑ BOGDANKA plans to achieve a **20%** share in the thermal coal market in Poland by 2015



Plan to Double Resources and Extend the Mine's Operating Life to about 2050



- ❑ The Company is applying for **new licences** in the Lublin Coal Basin
- ❑ Planned increase of recoverable reserves **from ca. 237 million tonnes to ca. 450 million tonnes**
- ❑ Planned **extension of the mine's operating life to about 2050 (currently 2034)**, with an average annual net production level of approximately 12 million tonnes

- ❑ LW BOGDANKA S.A. holds a **competitive advantage** over **potential newcomers** in the region, thanks to:
 - Its existing **infrastructure**
 - **Know-how** of safe and efficient mining
 - **Good relations** with customers (long-term contracts) and local stakeholders



Basis for Development and Efficiency Improvement: CAPEX for 2013-2020 (PLN 600m annual average)

DEVELOPMENT CAPEX

- ❑ **Objective – to support the increase of production and efficiency**

- ❑ **Approximately PLN 250m per annum**
- ❑ **Including:**
 - **Completion of the Stefanów Field investment (2013-2017), with completion of the expansion of the Mechanical Coal Processing Plant – Stage 2 (2013-2014)**
 - **Purchase of high-efficiency complex crushers for mining low seams (by 2015)**
 - **Construction of a central air-conditioning system in the Bogdanka Field (2013-2017)**
 - **Launch of an Integrated Production Management System (2013-2020)**
 - **Adaptation of Shaft 1.5 to transport stone (2013-2017)**
 - **Preparatory works and opening out of workings on new licences (2013-2020)**

MAINTENANCE CAPEX

- ❑ **Objective - to maintain production levels and modernise the workings and infrastructure**

- ❑ **Ca. PLN 350m per annum**
- ❑ **Including:**
 - **New workings**
 - **Maintenance of existing headings and equipment**
 - **Environmental protection**





Potential Synergies with Energy Producers



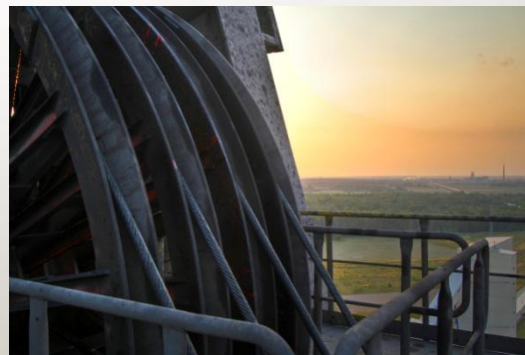
POTENTIAL ENERGY-RELATED PROJECTS – CURRENTLY UNDER ANALYSIS:

ŁĘCZYŃSKA ENERGETYKA SP. Z O.O.

- ❑ Modernisation and Expansion of the Bogdanka Heat-Generating Plant into a Heat and Electricity Co-Generation (CHP) Plant, which may generate significant synergies
- ❑ 69 MWt/77 MWe power project with auxiliary installations
- ❑ The final decision will depend on the results of a review of alternative investment projects

GDF SUEZ ENERGIA POLSKA GROUP

- ❑ Cooperation with **Elektrownia Połaniec S.A. – GDF SUEZ Energia Polska Group** on **construction** of a coal power plant in the Lublin region (a letter of intent has been signed)
- ❑ 500 MWe power project
- ❑ LW BOGDANKA S.A. as the key supplier of fuel (hard coal, coal slurries and related mixtures)





Complying with the Highest Standards of Corporate Governance, Corporate Social Responsibility and Sustainable Development



- ❑ The entire infrastructure of the mine and the Puchaczów V mining area are surrounded by protected lands (the immediate vicinity of the Polesie National Park and the Łęczna Lake District Landscape Park)
- ❑ An **Integrated Quality, Environmental and Health and Safety Management System** has been implemented, and a certificate of compliance with **PN EN ISO 14001, 9001 and 18001** obtained
- ❑ A **Corporate Social Responsibility** strategy at LW BOGDANKA S.A. for 2012-2015 has been adopted

Objectives for 2013-2020:

- ❑ Implementation of **environmental projects**
- ❑ Implementation of **the CSR Strategy**
- ❑ Development of **human capital**
- ❑ Maintenance of high **Corporate Governance** standards
- ❑ Improvement of **Health and Safety activities**, implementation of an underground **workplace monitoring** system



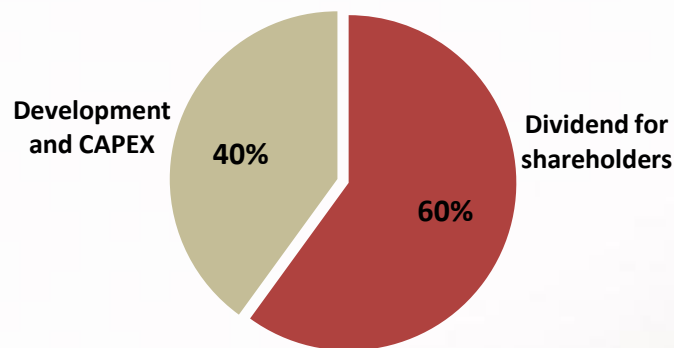


Financing and Dividend Policy for 2013-2015

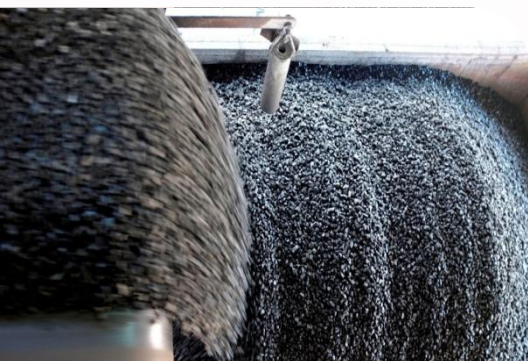


- ❑ Cash amount necessary to protect the Company against risks in its operating activities:
 - At the level of one-month sales revenue, or
 - Ca. PLN 200m-250m
- ❑ **Debt to EBITDA x 1.5***
- ❑ Payment of **60% of net profit** as dividend for 2013-2015
- ❑ Dividend amount proposed by the Management Board for 2012: 60% of LW BOGDANKA S.A.'s net profit

Dividend as a percentage of the Group's net profit for 2013-2015



- ❑ Dividend in line with global good practice for mineral extraction companies, while still allowing for long-term growth of the Company's shareholder value

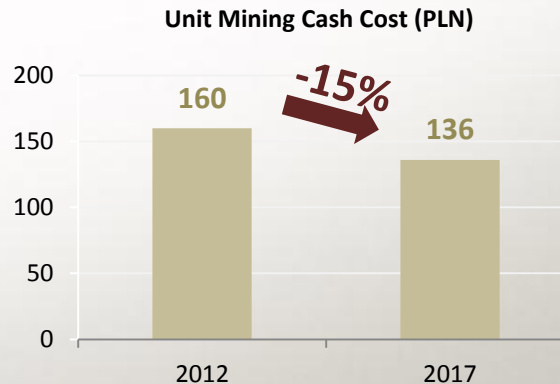
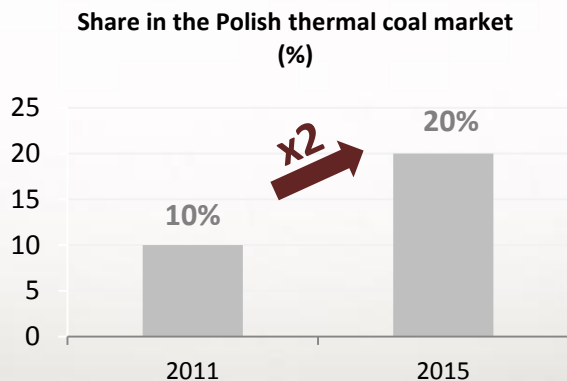
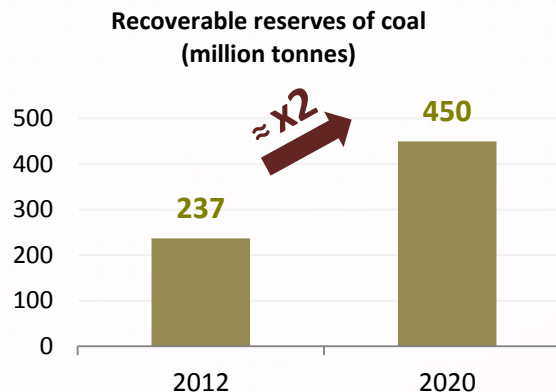
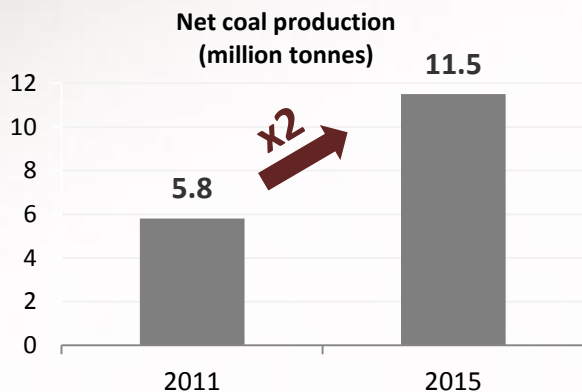


* Debt = (interest-bearing debt + employee liabilities)



The Management Board's Commitment

- To strengthen LW BOGDANKA S.A.'s position as the leading and most efficient supplier of coal to the energy sector, to pursue the strategy to double production levels and market share, and to double recoverable reserves





Thank you for attention



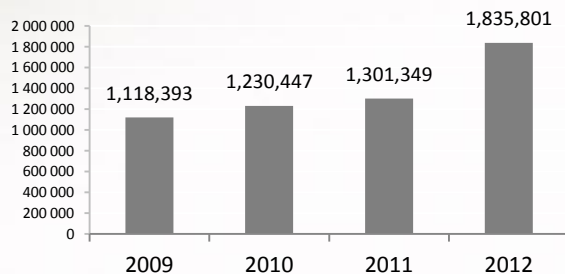
Appendix



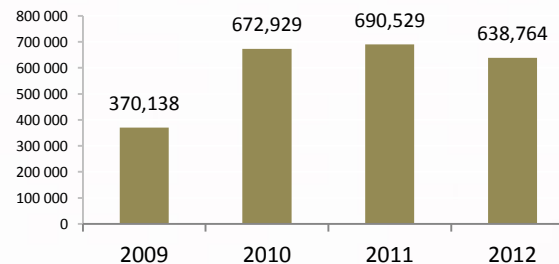
LW BOGDANKA S.A. 2009-2012



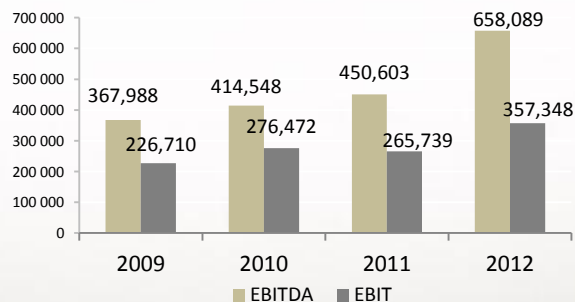
Revenue (PLN '000)*



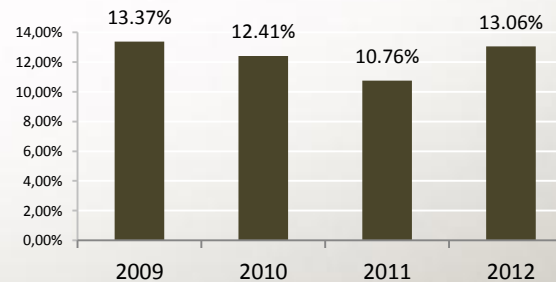
Capital expenditure (PLN '000)



EBITDA & EBIT (PLN '000)*



Return on Equity (ROE)*



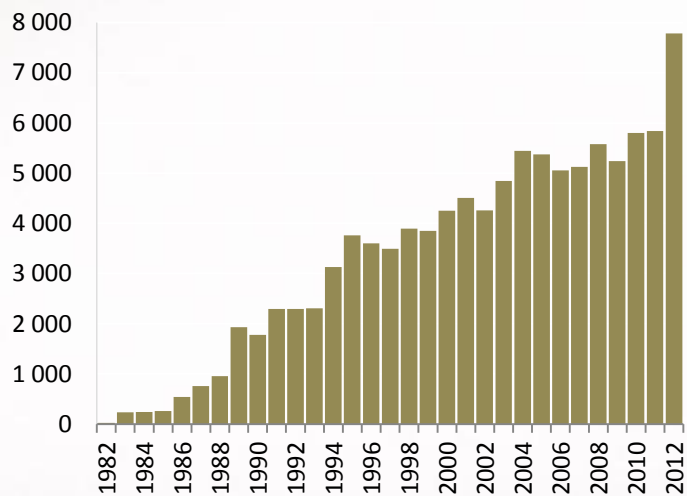
* Consolidated data



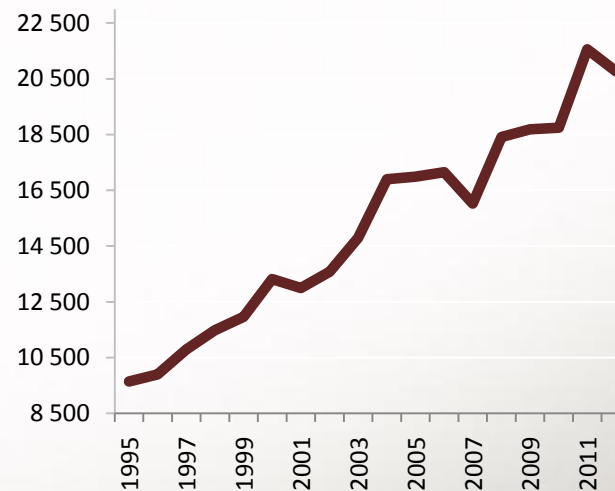
Commercial coal production and efficiency at LW BOGDANKA S.A.



**Net coal production
(thousand tonnes)**



**Underground productivity in output
(kg/man-days)**





Unit Mining Cash Cost – calculation based on 2012 data

Unit Mining Cash Cost =

**[Adjusted costs – depreciation and amortisation –
change in inventories] / net production**

where:

Adjusted costs = (cost of merchandise and materials sold + distribution costs + administrative expenses
+ adjustment by the value of coal extracted from workings + costs of transport to customers)

No.	Item	Unit	2012
1	Costs of merchandise and materials sold	PLN '000	1,330,073
2	Distribution costs	PLN '000	44,159
3	Administrative expenses	PLN '000	94,366
4 (1+2+3)	TOTAL	PLN '000	1,468,598
5	<i>Cost adjustment (transport)</i>	PLN '000	-15,976
6	<i>Cost adjustment (coal from workings)</i>	PLN '000	80,630
7 (4+5+6)	Adjusted costs	PLN '000	1,533,253
8	<i>Depreciation and amortisation</i>	PLN '000	296,442
9	<i>Change in inventories</i>	PLN '000	- 8,689
10 (7-8-9)	MCC = Adjusted costs - depreciation and amortisation - change in inventories	PLN '000	1,245,500
11	Net coal production	tonnes '000	7,785
12 (10/11)	Unit Mining Cash Cost	PLN / tonne	160



Contact Details



Investor Relations **LW BOGDANKA S.A.**

Tel. +48 81 462 56 29

+48 81 462 55 44

E-mail: ri@lw.com.pl