



LW BOGDANKA GROUP

PRESENTATION OF Q2
and H1 2013 RESULTS



Zbigniew Stopa
President of the
Management Board



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



THE LW BOGDANKA GROUP

Q2 2013 RESULTS



Q2 2013 vs. Q2 2012 RESULTS

GROSS PRODUCTION	+ 5.21%
NET PRODUCTION	+ 2.79%
COAL SALES (BY VOLUME)	+ 8.42%
NEW GALLERIES (BY LENGTH)	+ 26.11%
REVENUE	+ 4.41%
EBITDA	+ 5.00%
EBIT	+ 5.96%
NET PROFIT	+ 0.34%



1. Coal market overview

2. Key technical data

3. Financial highlights

4. CAPEX projects in H1 2013

5. Appendices – Financial information



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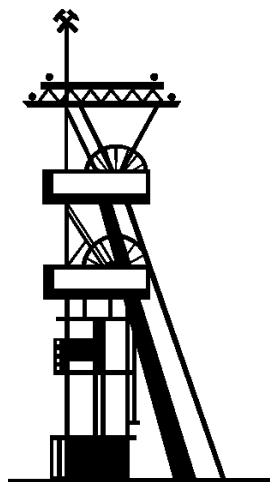


DOMESTIC DEMAND FOR THERMAL COAL...*



- A moderate **decline in domestic demand** for thermal coal was recorded in Q2 2013 and H1 2013
- The level of stockpiled coal inventory remains high

- **The average price of thermal coal** (all grades) was PLN 273.4 per tonne in H1 2013, **down 5.38% on H1 2012** and **down 9.72% on 2012**



Performance of Silesian coal mines:

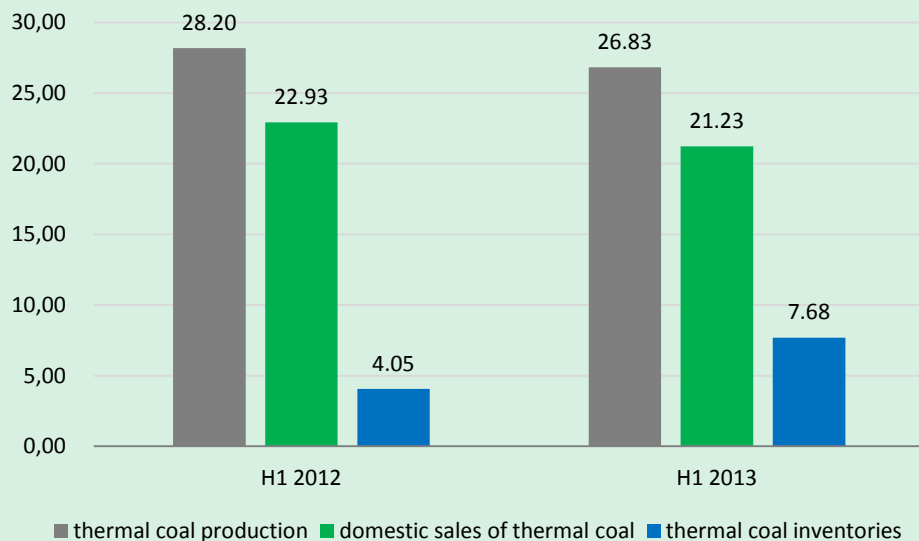
- Silesian mines produced a total of 26.83 million tonnes of thermal coal in H1 2013, which represents a **4.86%** decline year on year
- **Thermal coal inventories** at the mines amounted to 7,679.6 thousand tonnes as at the end of H1 2013, up almost 3,626.8 thousand tonnes (89.5%) on the same period of the previous year
- In H1 2013, some 21,227.2 thousand tonnes of **thermal coal was sold on the domestic market** (almost 65.65% of total coal sales), which was down 7.43% (or 1,704.5 thousand tonnes) year on year
- The average cost of (thermal and coking) coal sold in H1 2013 was PLN 316.25 per tonne, down 0.32% year on year



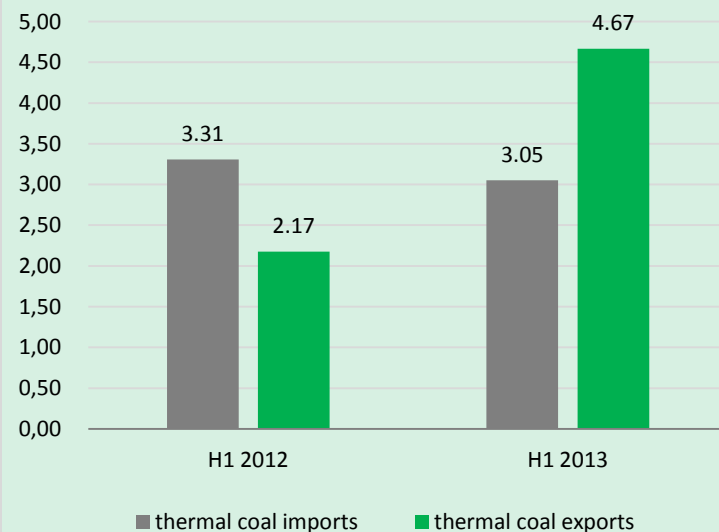
... AS A FACTOR DETERMINING LEVELS OF COAL PRODUCTION, SALES AND INVENTORIES*



Thermal coal production, domestic sales and inventories (million tonnes)



Thermal coal imports and exports (million tonnes)



* In-house estimates based on available market data



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COMMERCIAL-GRADE COAL PRODUCTION AT LW BOGDANKA S.A. IN Q2 2013



Gross production:

- **2,906 thousand tonnes** in Q2 2013 (up **5.21%** on Q2 2012)
- **5,870 thousand tonnes** in H1 2013 (up **1.50%** on H1 2012)

Net production:

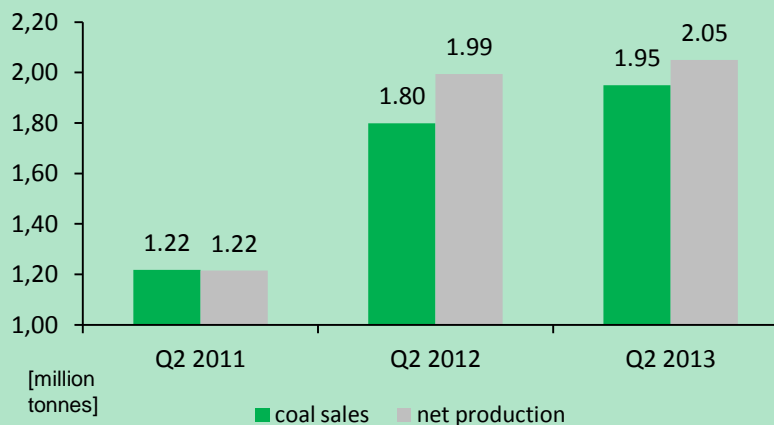
- **2,050 thousand tonnes** in Q2 2013 (up **2.79%** on Q2 2012)
- **4,082 thousand tonnes** in H1 2013 (down **2.23%** on H1 2012)

Development work (new galleries) is conducted on a continuous basis:

- **6.52 km** of new galleries was developed in Q2 2013, compared with **5.17 km** in the same period of the previous year (+**26.11%**)
- In H1 2013, **13.36 km** of new galleries was developed, compared with **11.03 km** the year before (+**2.33 km**, or +**21.14%**)

Coal sales:

- **1,950 thousand tonnes** of coal was sold in Q2 2013, which is **8.42%** (or **151 thousand tonnes**) more than in the same period a year ago. The Q2 2013 sales figure is in line with the Company's target
- In H1 2013, a total of **3,809 thousand tonnes** of coal was sold, which compares with **3.88 1 million tonnes** in H1 2012 (down **1.86%**)

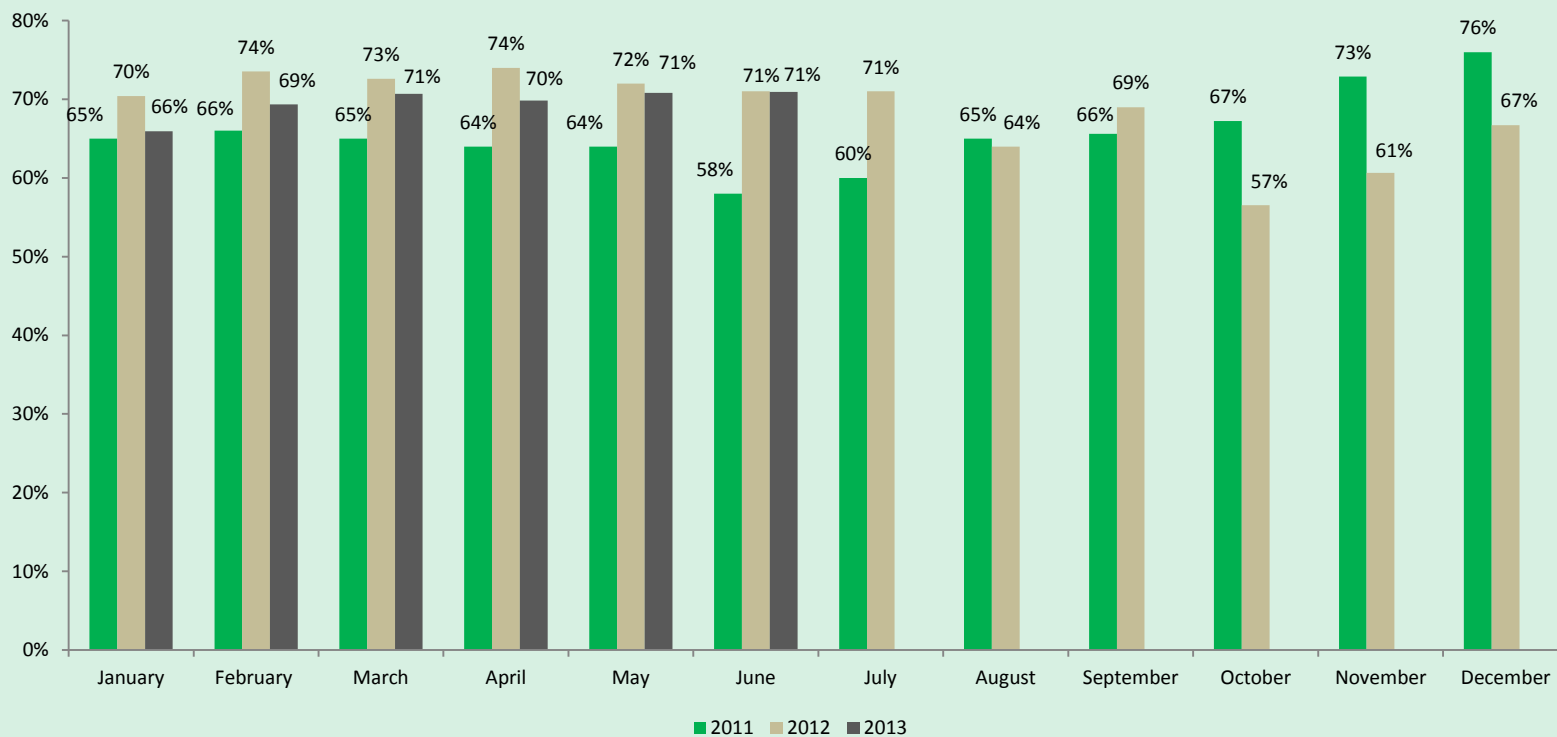




COAL YIELD AT LW BOGDANKA S.A.



COAL YIELD AT LW BOGDANKA S.A. IN 2011-2013 (H1)

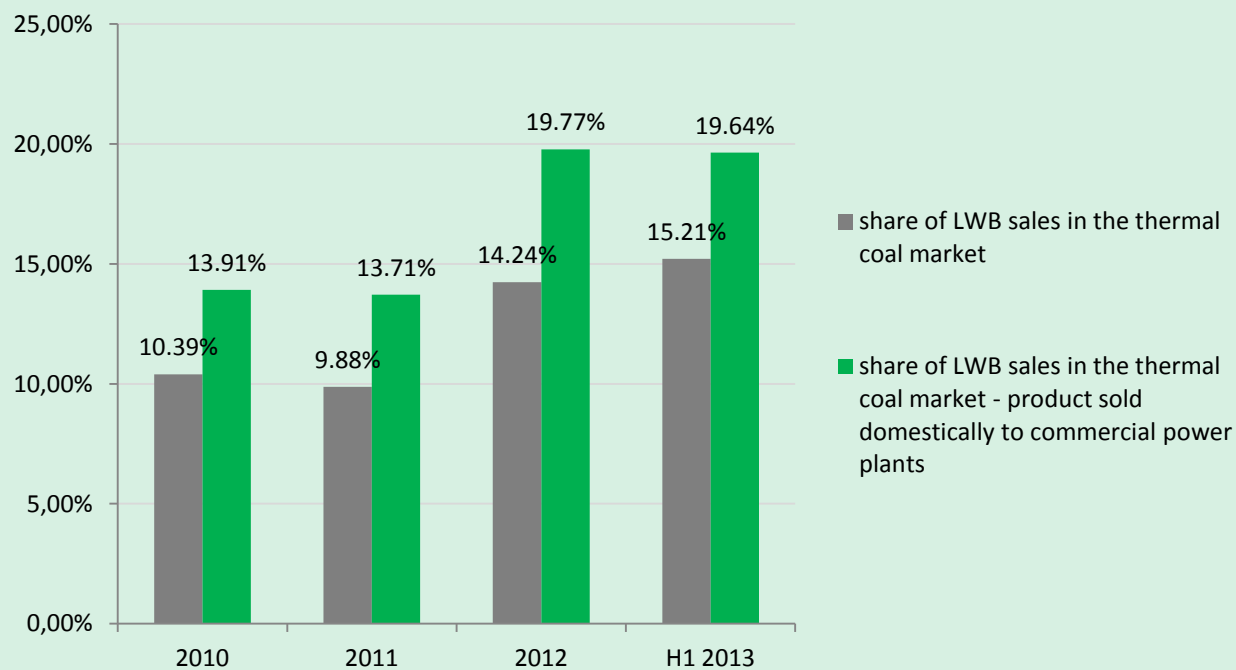




LW BOGDANKA S.A.'S MARKET POSITION



MARKET SHARE IN 2010 - 2013 (H1)





KEY EVENTS IN Q2 2013 SUBSEQUENT TO THE BALANCE-SHEET DATE



TRADE CONTRACTS

- Amendment to a material contract with **PGNIG Termika S.A.** – May 28th 2013
- Amendment to a material contract on thermal coal supplies, concluded with **Elektrownia Północ Sp. z o.o.** – June 4th 2013.
- Amendment to a material contract with **Zakłady Azotowe Puławy S.A.** – June 10th 2013.
- Amendment to a material contract with **PGNIG Termika S.A.** – July 5th 2013



STRATEGY

- Approval by the Supervisory Board of **LW BOGDANKA S.A.'s Business Development Strategy for 2013 – 2020**, with a **dividend policy** – June 3rd 2013

GENERAL MEETING

- **Annual General Meeting** – June 27th 2013 – July 4th 2013
- Adoption of a resolution to **distribute the 2012 net profit** and allocate **PLN 172,108,765.40** to dividend payments of **PLN 5.06 per share** – June 27th 2013
- Adoption of resolutions to **amend the Articles of Association** – June 27th 2013
- Adoption of a resolution to issue **Series A** subscription warrants with pre-emption rights waived, **conditionally increase the share capital** with pre-emption rights waived, and approve the **Management Stock Option Plan for 2013-2018** – July 4th 2013.



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LW BOGDANKA GROUP PERFORMANCE HIGHLIGHTS

for Q2 and H1 2012/2013



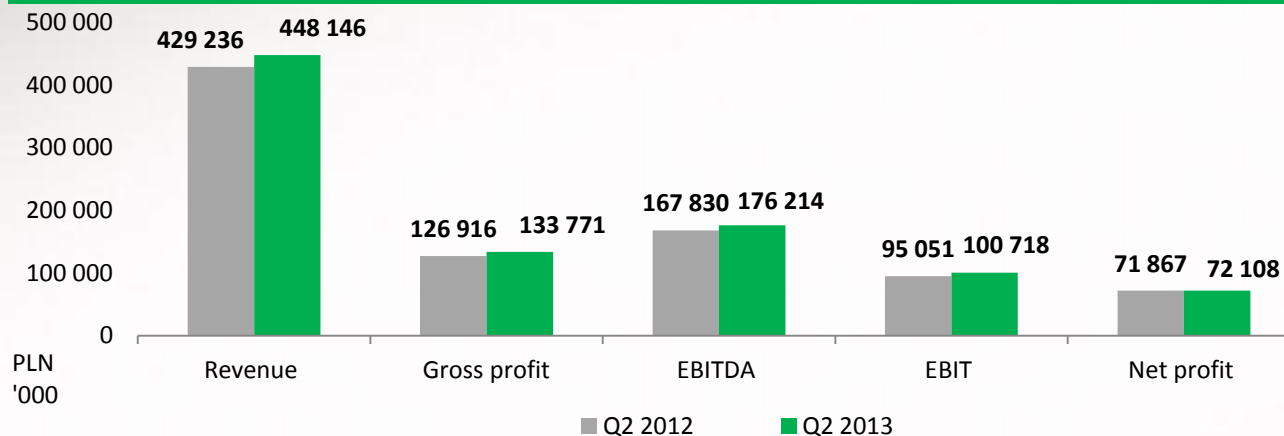
Item	Unit	Q2 2013	Q2 2012	% change (2013/2012)	H1 2013	H1 2012	% change (2013/2012)
Technical and operating data							
Gross production	thousands of tonnes	2,906	2,762	5.21%	5,870	5,783	1.50%
Net production	thousands of tonnes	2,050	1,994	2.79%	4,082	4,175	-2.23%
Coal sales	thousands of tonnes	1,950	1,799	8.42%	3,809	3,881	-1.86%
Inventories (end of period)	thousands of tonnes	291	321	-9.48%	291	321	-9.48%
New galleries (by length)	km	6.52	5.17	26.11%	13.36	11.03	21.12%
Coal yield	%	70.54%	72.19%	-1.65%	69.54%	72.19%	-2.65%
Financial data							
Revenue	PLN '000	448,146	429,236	4.41%	878,904	906,538	-3.05%
Gross profit	PLN '000	133,771	126,916	5.40%	254,563	302,845	-15.94%
EBITDA	PLN '000	176,214	167,830	5.00%	346,550	366,876	-5.54%
EBITDA margin	%	39.32%	39.10%	0.56%	39.43%	40.47%	-2.57%
EBIT	PLN '000	100,718	95,051	5.96%	188,156	214,348	-12.22%
EBIT margin	%	22.47%	22.14%	1.49%	21.41%	23.64%	-9.43%
Net profit	PLN '000	72,108	71,867	0.34%	142,034	171,077	-16.98%



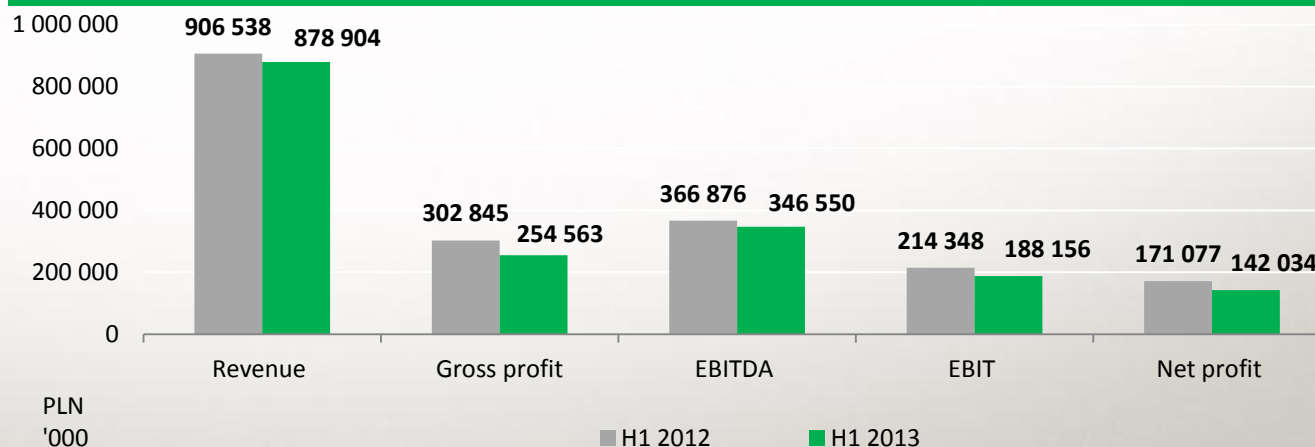
LW BOGDANKA GROUP PERFORMANCE HIGHLIGHTS for Q2 and H1 2012/2013, CONT'D.



Q2 2012/2013 PERFORMANCE



H1 2012/2013 PERFORMANCE





THE LW BOGDANKA GROUP IN Q2 2013



Revenue	Q2 2013: PLN 448.15m vs. PLN 429.24m in the comparative period of 2012. Up by 4.41% , mainly on higher sales volume coupled with a slight reduction in selling price
Cost of products, merchandise and materials sold	Q2 2013: PLN 314.37m vs. PLN 302.32m in Q2 2012, up by 3.99% with an 8.39% rise in sales volume
Gross profit	Q2 2013: PLN 133.77m vs. PLN 126.92m in the same period of 2012, up by 5.40% Gross profit margin for Q2 2013 (29.85%) on par with the Q2 2012 figure (29.57%), despite adverse market trends
Distribution cost, administrative expenses	Q2 2013: PLN 34.55m vs. PLN 31.88m (up by 8.38%) in the same period of 2012, chiefly on higher materials and energy costs, employee benefits and amortisation/depreciation
Operating profit (EBIT)	Q2 2013: PLN 100.72m (against PLN 95.05m in Q2 2012) – up 5.96%, despite an approximately PLN 9m increase in employee provisions EBIT margin for Q2 2013 slightly up on Q2 2012 (22.47% vs. 22.14%)
Net profit	Q2 2013: PLN 72.11m – a year-on-year improvement of 0.34% Net profit margin for Q2 2013 on par with the Q2 2012 figure



LW BOGDANKA S.A.'s PROVISIONS



LW BOGDANKA S.A.'s provisions at the end of H1 2013 and 2012 and the end of H1 2012

Item [PLN '000]	as at Jun 30 2013	as at Jun 30 2012 (restated)	Change [%]	as at Dec 31 2012	Change [%]
Employee provisions	217,757	164,133	32.67%	190,652	14.22%
Liabilities under property tax – galleries	11,673	20,181	-42.16%	9,502	22.85%
Mostostal provision	0	25,000	-100.00%	0	0.00%
Other provisions, inc.	130,423	98,800	32.01%	126,357	3.22%
<i>Mine decommissioning</i>	96,355	77,634	24.11%	89,861	7.23%
<i>Mining damage</i>	11,211	4,806	133.27%	13,470	-16.77%
<i>Other</i>	22,857	16,360	-39.71%	23,026	-0.73%
TOTAL	359,854	308,114	16.79%	326,511	10.21%



LW BOGDANKA S.A.'s PROVISIONS, CONT'D.

Balance of LW BOGDANKA S.A.'s provisions at the end of H1 2013 and the end of H1 2012

Item [PLN '000]	Change for Q2 2013	Change for Q2 2012	Change [%]	Change for H1 2013	Change for H1 2012	Change [%]
Employee provisions	25,365	16,198	56.60%	27,105	17,698	53.16%
Liabilities under property tax – galleries	1,086	1,827	-40.57%	2,171	3,594	-39.60%
Mostostal provision	0	0		0	25,000	
Other provisions, inc.	4,399	1,653	166.08%	4,067	1,833	121.92%
<i>Mine decommissioning</i>	6,494	777	735.78%	6,494	777	735.78%
<i>Mining damage</i>	-1,432	-399	258.90%	-2,259	-554	307.76%
<i>Other</i>	-663	1,275	-152.00%	-168	1,610	-110.50%
TOTAL	30,850	19 678	56,78%	33,343	48,124	-30.72%



LW BOGDANKA S.A.'s EXPENSES BY NATURE

LW BOGDANKA S.A.'s expenses by nature in Q2 2012/2013 and H1 2012/2013

Item [PLN '000]	Q2 2013	Q2 2012	Change [Q2 2013 / Q2 2012]	H1 2013	H1 2012	Change [6 months 2013 / 6 months 2012]
Depreciation and amortisation	77,605	71,723	8.20%	159,575	150,486	6.04%
Materials and energy used	117,392	99,454	18.04%	241,696	209,302	15.48%
Services	105,270	105,598	-0.31%	210,746	200,743	4.98%
Employee benefits	105,613	102,650	2.89%	226,701	207,799	9.10%
Entertainment and advertising	1,691	2,420	-30.13%	4,024	4,978	-19.16%
Taxes and charges	7,079	6,911	2.43%	16,024	15,934	0.57%
Other expenses	848	1,253	-32.34%	12,196	15,350	-20.55%
TOTAL EXPENSES	415,498	390,010	6.54%	870,963	804,592	8.25%
Own work capitalised + IAS presentation adjustments	74,848	47,257	58.39%	161,892	116,472	39.00%
Change in accrued expenses	37,348	19,298	93.53%	22,791	19,257	18.35%
COST OF PRODUCTS	377,998	362,051	4.40%	731,862	707,377	3.46%
Change in products	-33,267	-32,570	2.14%	-46,465	-47,527	-2.23%
Sales of merchandise and materials	2,126	2,937	-27.60%	4,798	5,555	-13.60%
COST OF SALES	346,857	332,418	4.34%	690,195	665,405	3.73%

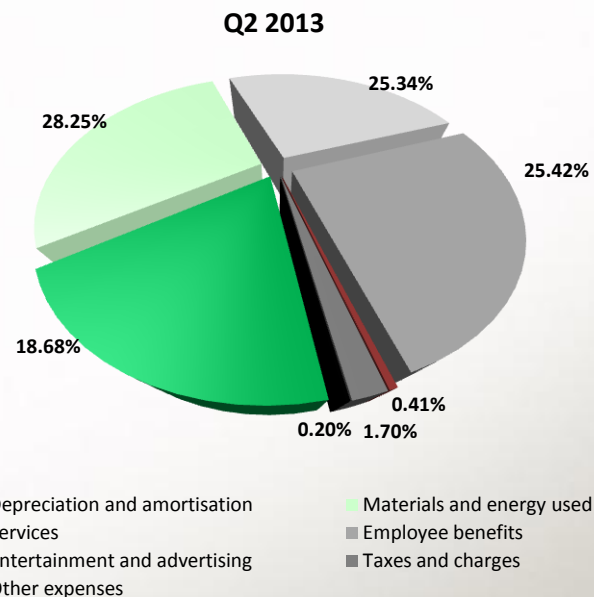


LW BOGDANKA S.A.'S EXPENSES BY NATURE - CONTD'D.



In Q2 2013 LW BOGDANKA'S expenses by nature rose 6.54% year on year, with gross production up 5.21% and a 26.11% increase in preparatory works

- ✓ Amortisation/depreciation was up by 8.20%, with the value of production assets driven by the Company's development strategy
- ✓ Materials and energy used went up by 18.04% following higher production volume and over 26% of newly developed galleries (5.21% increase in gross production)
- ✓ Cost of services was down by 0.31% due to outsourcing cost optimisation with a greater scale of galleries works and increased production
- ✓ Employee benefits were up 2.89% with an increase in the average headcount of approx. 100 between the periods reviewed
- ✓ The cost of entertainment and advertising was down by 30.13%, following optimisation of advertising and sports sponsorship expenditure

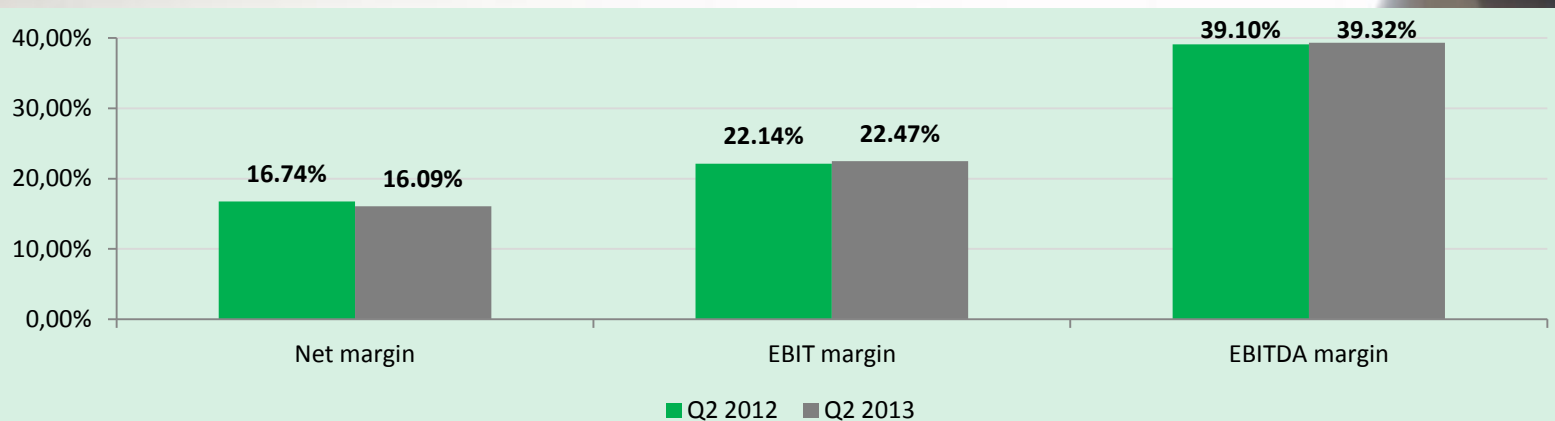




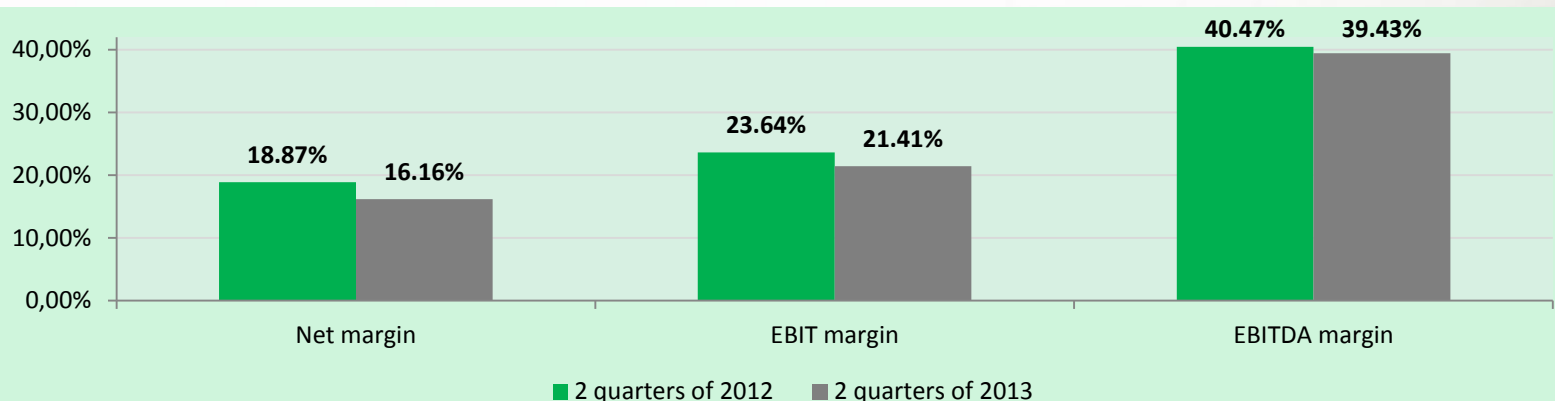
PROFITABILITY RATIOS FOR Q2 AND H1 2012/2013



PROFITABILITY in Q2 2012 and 2013



PROFITABILITY in H1 2012 and 2013





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CAPEX PROJECTS AT LW BOGDANKA IN H1 2013



Item [PLN '000]	Initial Budget for 2013	H1 2013 (actual)	Updated budget for 2013
DEVELOPMENT CAPEX	338,440	78,869	258,000
Expansion of the Mechanical Coal Processing Plant	73,434	15,946	54,000
Central air conditioning system in the Bogdanka field	23,751	33	7,000
Integrated production management system	4,350	376	3,000
Acquisition of new licences	5,750	185	6,000
Other development projects, including:	231,155	62,329	188,000
<i>Purchase of new machinery and equipment</i>	184,214	42,946	145,000
<i>Purchase of ready-to-use assets</i>	41,054	12,998	36,000
<i>other</i>	5,888	6,385	7,000
OPERATING CAPEX	368,712	142,776	366,000
New galleries and modernisation of existing galleries	308,790	125,267	299,000
Modernisation and repair of machinery and equipment	7,050	6,083	18,000
Environmental protection	12,353	1,802	10,000
Other operating investments	40,519	9,624	39,000
TOTAL CAPEX	707,152	221,645	624,000

CONTACT DETAILS

Lubelski Węgiel BOGDANKA S.A.

Bogdanka, 21-013 Puchaczów, Poland

Tel. +48 81 462 51 00

bogdanka@lw.com.pl

Investor relations

Tel. +48 81 462 55 44

Tel. +48 81 462 56 29

Fax +48 81 462 54 26

ri@lw.com.pl



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ANALYSIS OF THE CONSOLIDATED INCOME STATEMENT OF THE LW BOGDANKA GROUP

Item [PLN '000]	Q2 2013	Q2 2012	Change (2013/2012)	H1 2013	H1 2012	Change (2013/2012)
Revenue	448,146	429,236	4.41%	878,904	906,538	-3.05%
Cost of products, merchandise and materials sold	314,375	302,320	3.99%	624,341	603,693	3.42%
Gross profit	133,771	126,916	5.40%	254,563	302,845	-15.94%
Gross margin	29.85%	29.57%	0.95%	28.96%	33.41%	-13.32%
Distribution costs	11,096	10,098	9.88%	21,087	20,013	5.37%
Administrative expenses	23,456	21,783	7.68%	45,748	42,586	7.42%
Other income	-519	784	-166.20%	1,908	1,568	21.68%
Other expenses	186	203	-8.37%	542	443	22.35%
Net operating profit/loss	98,514	95,616	3.03%	189,094	241,371	-21.66%
Other net gains/(losses)	2,204	-565	-490.09%	-938	-27,023	-96.53%
Operating profit (EBIT)	100,718	95,051	5.96%	188,156	214,348	-12.22%
EBIT margin	22.47%	22.14%	1.49%	21.41%	23.64%	-9.43%
EBITDA	176,214	167,830	5.00%	346,550	366,876	-5.54%
EBITDA margin	39.32%	39.10%	0.56%	39.43%	40.47%	-2.57%
Finance income	1,636	1,257	30.15%	2,904	5,666	-48.75%
Finance costs	7,808	9,332	-16.33%	9,085	9,335	-2.68%
Share in profit (loss) of associates	0	0	-	0	0	-
Profit before tax	94,546	86,976	8.70%	181,975	210,679	-13.62%
Profit before tax margin	21.10%	20.26%	4.15%	20.70%	23.24%	-10.93%
Income tax	22,438	15,109	48.51%	39,941	39,602	0.86%
Net profit for the financial year	72,108	71,867	0.34%	142,034	171,077	-16.98%
Net margin	16.09%	16.74%	-3.88%	16.16%	18.87%	-14.36%
- attributable to owners of the Parent	72,050	71,584	0.65%	141,744	170,690	-16.96%



STATEMENT OF FINANCIAL POSITION OF THE LW BOGDANKA GROUP



[PLN '000]	Jun 30 2013	Dec 31 2012
Non-current assets, including:	3,132,621	3,063,653
Cash and cash equivalents	68,830	68,031
Current assets, including:	518,794	421,503
Cash and cash equivalents	151,894	120,551
Total assets	3,651,415	3,485,156
Current liabilities	712,463	415,674
Non-current liabilities	673,305	773,108
Total liabilities	1,385,768	1,188,782
Equity	2,265,647	2,296,374
Current borrowings	156,850	20,000
Non-current borrowings	281,000	421,000



CASH FLOWS OF THE LW BOGDANKA GROUP



[PLN '000]	H1 2013	H1 2012
Net cash flows from operating activities	322,657	357,464
Cash inflows from operating activities	337,111	409,863
Interest paid	482	(957)
Income tax paid	(14,936)	(51,442)
Net cash flows from investing activities	(285,291)	(230,437)
Acquisition of property, plant and equipment	(277,534)	(222,729)
Interest paid in connection with investing activities	(6,519)	(7,299)
Acquisition of intangible assets	(1,911)	(219)
Proceeds from disposal of property, plant and equipment	163	79
Other net cash flows from investing activities	-	(1,999)
Interest received	1,389	3,612
Proceeds from cash deposited in the bank account of the Mining Facilities Decommissioning Fund	(799)	(1,882)
Net cash from financing activities	(6,023)	100,000
Received borrowings and other debt instruments	-	100,000
Repaid borrowings and other debt instruments	(5,000)	-
Interest, fees and commissions paid on borrowings and other debt instruments	(1,023)	-
Dividends paid to owners of the Parent	-	-
Other net cash flows from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	(31,343)	227,027
Cash and cash equivalents at beginning of the period	120,551	102,820
Cash and cash equivalents at end of the period	151,894	329,847



SALES STRUCTURE AT THE LW BOGDANKA GROUP



Item [PLN '000]	Q2 2013	Share [%]	Q2 2012	Share [%]
Coal sales	432,116	96.42	415,816	96.87
Ceramics sales	1,682	0.38	1,837	0.43
Other activities	12,157	2.71	8,567	2.00
Sales of merchandise and materials	2,191	0.49	3,016	0.70
Total revenue	448,146	100	429,236	100



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