



LUBELSKI WĘGIEL
„BOGDANKA”
SPÓŁKA AKCYJNA

PRESENTATION AND RESULTS FOR

✓ Q2 2014 ✓ 1H 2014

GK LW BOGDANKA



Warsaw 28.08.2014



MANAGEMENT BOARD MEMBERS



Zbigniew Stopa

President of the
Management Board



Roger de Bazelaire

Vice-President of the
Management Board,
Chief Financial Officer



Waldemar Bernaciak

Vice-President of the
Management Board,
Sales and Logistics



Krzysztof Szlaga

Vice-President of the
Management Board,
Procurement and Investments

LW BOGDANKA GROUP RESULTS FOR Q2 2014 AND 1H 2014



YEAR-ON-YEAR CHANGE IN LW BOGDANKA GROUP RESULTS FOR Q2 2014 AND 1H 2014
VS. Q2 2013 AND 1H 2013

+ 4.2%

- 1.7%

NET PRODUCTION



+ 21.6%

+ 7.7%

NEW WORKINGS
(BY LENGTH)



+ 13.6%

+ 7.8%

COAL SALES
(BY VOLUME)



+ 7.6%

+ 3.5%

REVENUES
ON SALES



- 32.7%

- 58.7%

EBIT



- 12.2%

- 25.2%

EBITDA



- 35.6%

- 59.9%

NET PROFIT



■ 1H 2014

□ Q2 2014

AGENDA



1. Key operating data

2. Coal market overview

3. Financial highlights

4. Capex projects in 1H 2014

5. Appendices – Financial information

PRODUCTION AND SALES OF COMMERCIAL-GRADE COAL AT LW BOGDANKA S.A. IN Q2 2014 AND 1H 2014



Gross production

- **3,091.8 thousand tonnes** in Q2 2014 (up by **6.4%** on Q2 2013)
- **6,434.6 thousand tonnes** in 1H 2014 (up by **9.6%** on 1H 2013)

Net production

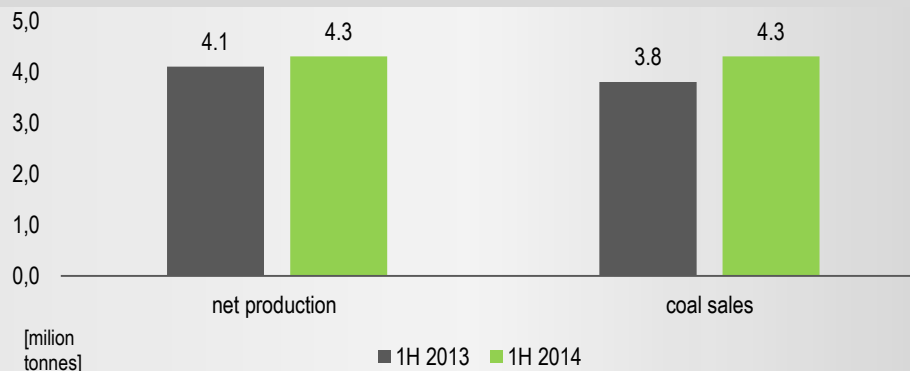
- **2,015.2 thousand tonnes** in Q2 2014 (down **1.7%** on Q2 2013)
- **4,253.4 thousand tonnes** in 1H 2014 (increase by **4.2%** on 1H 2013)
- Production in Q2 2014 was slightly lower than the one achieved in the first quarter of this year, which was a consequence of a decision to give the principal focus to the extraction of better quality coal until the Mechanical Coal Processing Plant is completed.

New galleries

- Work is ongoing to **open up new coal seams**: in Q2 2014 **7.0 km of new galleries** were developed as compared to **6.5 km** in Q2 2013 (change of **7.7%**), in 1H 2014 **16.4 km of new galleries** were developed as compared to **13.4 km** in 1H 2013 (an increase of **3 km**, i.e. **22.4%**)
- Both in Q2 2014 and 1H 2014 there was a significant increase in newly developed workings, as a result of the Company's Development Strategy

Coal sales

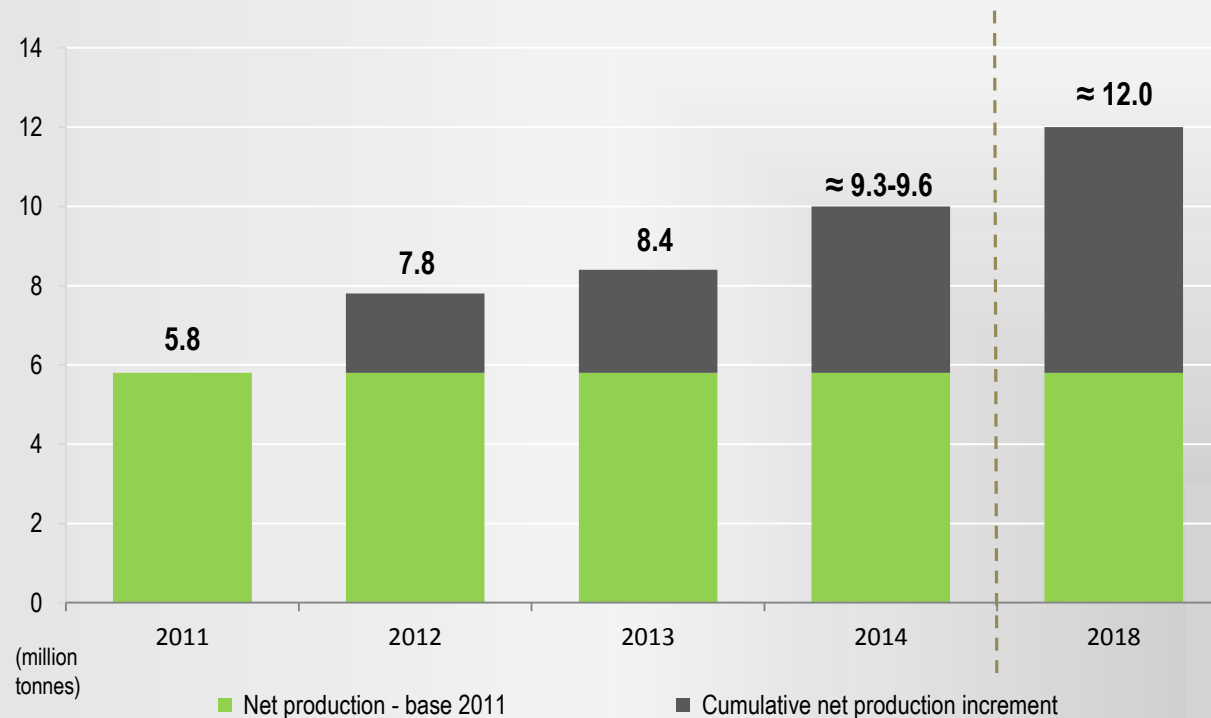
- In Q2 2014 there was a significant increase in coal sales, where **2,102.0 thousand tonnes** of coal was sold, i.e. **7.8%** (**152.0 thousand tonnes**) more than in Q2 2013
- In 1H 2014 coal sales was **4,327.3 thousand tonnes** versus **3,809.2 thousand tonnes** in 1H 2013, i.e. an increase by **13.6%** (**518.1 thousand tonnes**)



PRODUCTION OBJECTIVES FOR FY 2014



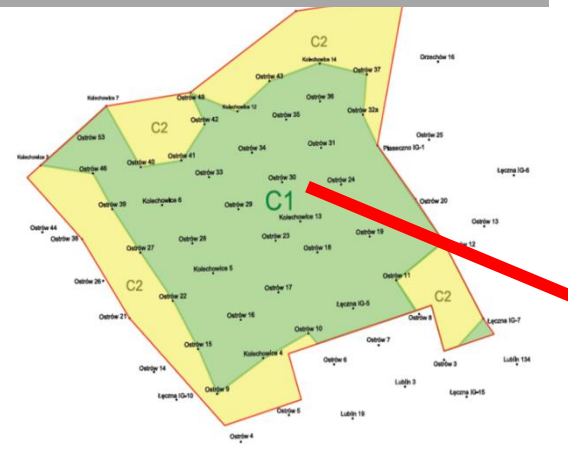
- The Company has been consistently pursuing its Development Strategy, which provides for doubling the production capacity.
- Due to worse than expected quality parameters of the geological deposit, we are updating our guidance for output in 2014 in a range of 9.3 to 9.6 million tonnes of commercial coal.
- Starting processing in the new part of the Mechanical Coal Processing Plant, from September 2014, will enable the Company to achieve its production targets as planned.



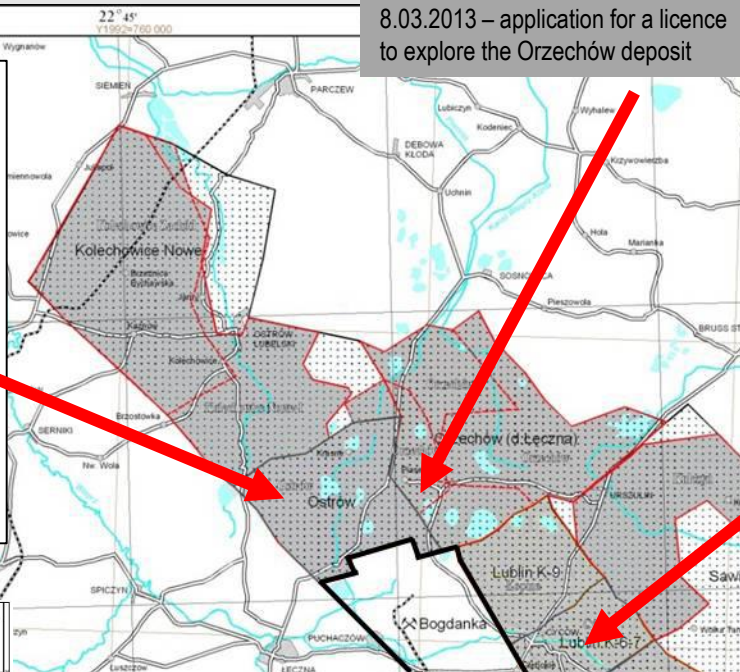
DOUBLING OF RESOURCES – LICENCES



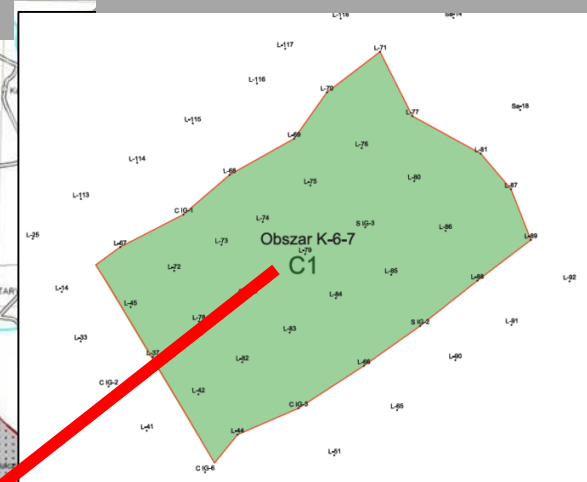
30.06.2014 – exploration licence for Ostrów deposit granted



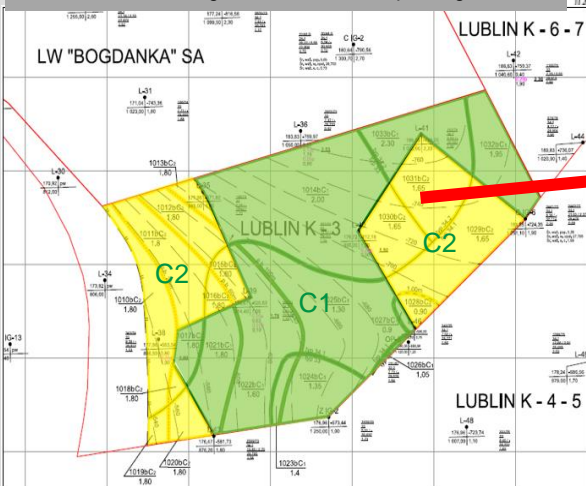
8.03.2013 – application for a licence to explore the Orzechów deposit



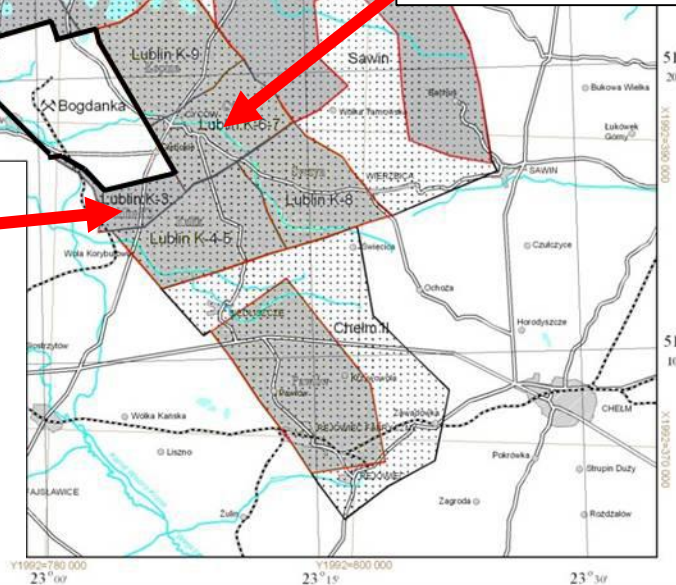
20.12.2013 – application for a mining licence for area K-6-7



17.06.2014 – mining licence for K-3 deposit granted



DETAIL OF THE LUBLIN COAL BASIN



LAUNCH OF MECHANICAL COAL PROCESSING PLANT



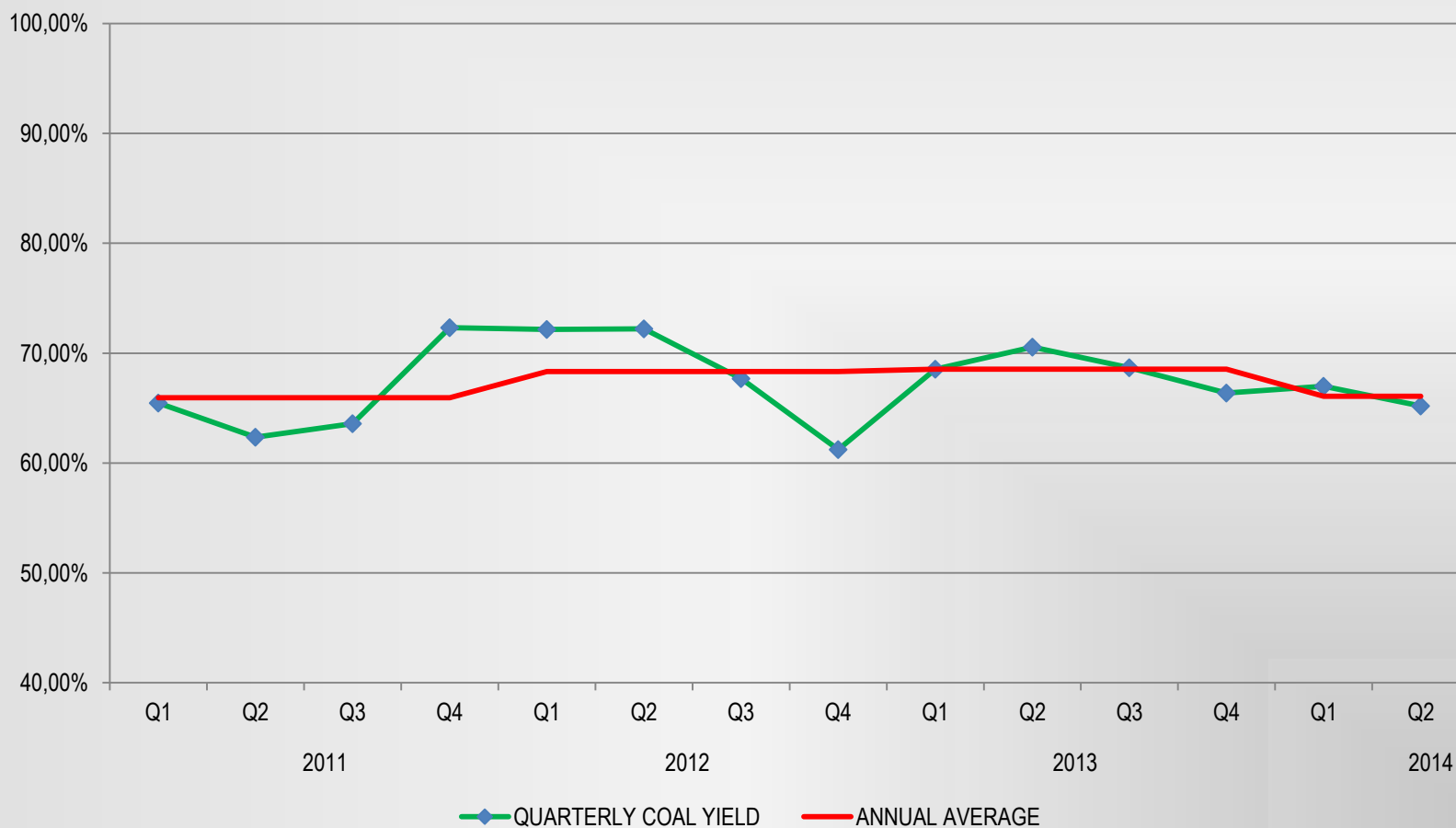
- Expansion of the Mechanical Coal Processing Plant will enable the Company to double production by doubling its nominal capacity to 2,400 tonnes/h on the “wet” line.
- At the moment in the Mechanical Coal Processing Plant last final tests and experimental working are on-going
- The system is ready for production of commercial coal. Currently, as part of the experimental starting phase, production is increased to reach progressively full use of the nominal capacity.



COAL YIELD AT LW BOGDANKA S.A.



COAL YIELD AT LW BOGDANKA S.A. [2011 – 2014]



KEY EVENTS IN 1H 2014 AND SUBSEQUENT TO THE BALANCE-SHEET DATE



LICENCES

- Mining licence for **K-3 deposit** granted – 17 June 2014
- Exploitation licence for **Ostrów deposit** granted – 30 June 2014

FINANCING

- Conclusion of a significant agreement with **mBank S.A.** (overdraft facility amounting to PLN 150 million) – 21 May 2014
- **Issuance of Bonds by banks under Bond Issue Programm** (the total amount of bonds issued amounts to PLN 400 million) – 1 August 2014

EVENTS

TRADE CONTRACTS

- Annex to a significant agreements with **Enea Wytwarzanie S.A.** – 15 January 2014
- Annex to a significant agreement with **EDF Paliwa Sp. z o.o.** – 31 March 2014
- Annex to a significant agreement with **PGNiG Termika S.A.** – 24 April 2014
- Annex to a significant agreement with **PGNiG Termika S.A.** – 31 July 2014

GENERAL MEETING

- **General Shareholding Meeting** held on - 12 June 2014
- Adopted a resolution on **distribution of net profit** for 2013 and allocate the amount of PLN **197,278,822.00 zł** for a dividend in amount of PLN **5.80 per share** – 12 June 2014

AGENDA



- 1.** Key operating data
- 2.** Coal market overview
- 3.** Financial highlights
- 4.** Capex projects in 1H 2014
- 5.** Appendices – Financial information



DOMESTIC DEMAND FOR THERMAL COAL...*

COAL PRICES

- The average price of thermal coal in the domestic market in Q2 2014 was **PLN 250.06/tonne** v. **PLN 254,54/tonne** in 1H 2014
- The average price of coal sold to commercial power plants in 1H 2014 was **PLN 222,57/tonne**

DEMAND/SUPPLY

- In Q2 2014 and in 1H 2014 we have seen a **decline in market demand** for thermal coal
- Very large quantities of coal still remain stockpiled at mines and power plants

HARD COAL MARKET

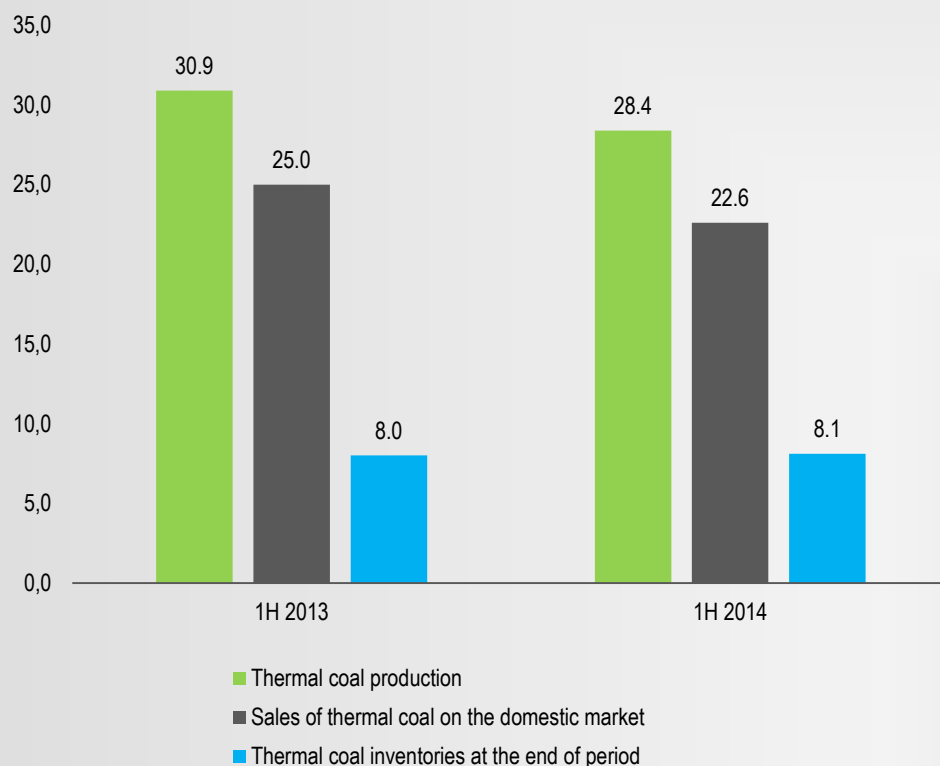
PERFORMANCE OF POLISH COMPANIES*

- Silesian mines produced a total of **11.5 million tonnes** of thermal coal in Q2 2014 (-12.6% on Q2 2013), and **24.2 million tonnes** in 1H 2014 – a decrease of **9.8% yoy**
- **Thermal coal inventories** at the mines at the end of Q2 2014 amounted **7,922.6 thousand tonnes** and was higher by nearly **243.0 thousand tonnes**, or **3.2%**, as compared to Q2 2013. In 1H 2014, the amount of coal stockpiled at commercial power plants has also increased
- In Q2 2014 **domestic sales of thermal coal** amounted to **8,540.8 thousand tonnes** (almost 65.6% of total sales of coal) and was down by **17.2% (1,776.0 thousand tonnes)** on Q2 2013. In 1H 2014 sales amounted to **18,299.9 thousand tonnes** as compared to **21,227.2 thousand tonnes** in 1H 2013 (-13.8%; - 2,927.3 thousand tonnes)
- The average **cost of thermal and coking** coal in Q2 2014 was **PLN 344.29/tonne** up by **5.9%** on Q2 2013, in 1H 2014 this cost was **PLN 333.37/tonne** – an increase of **5.4%** on 1H 2013

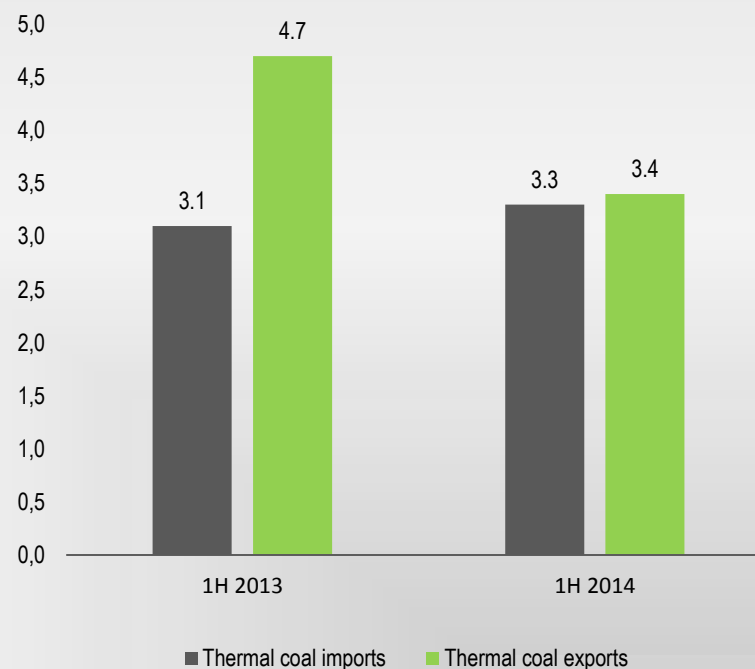
... AS A FACTOR DETERMINING LEVELS OF COAL PRODUCTION, SALES AND INVENTORIES*



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



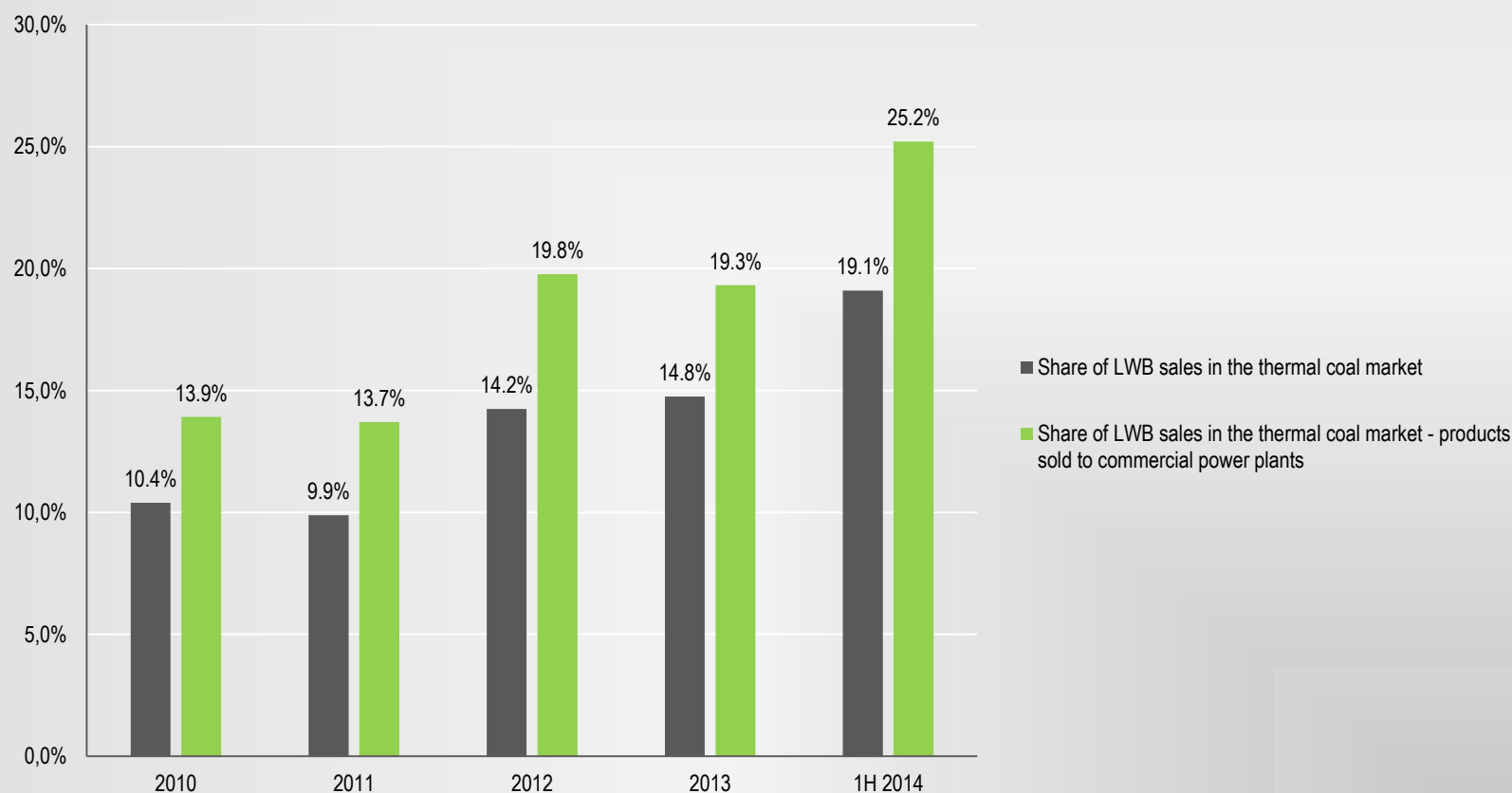
Thermal coal imports and exports
(million tonnes)



LW BOGDANKA S.A.' STRENGTHENING MARKET POSITION



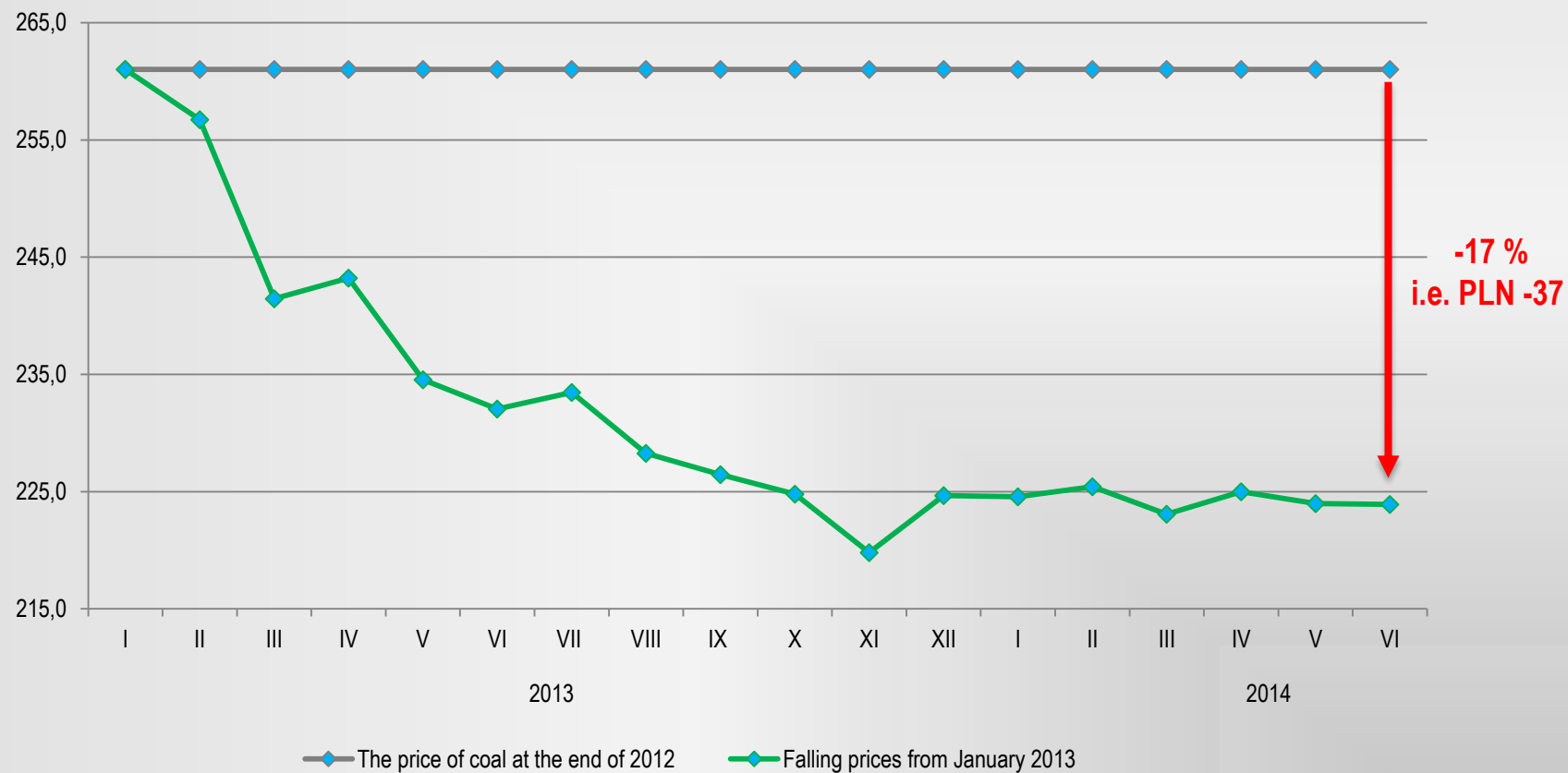
MARKET SHARE IN [2010 – 2014]





PRICES TO COMMERCIAL POWER PLANTS IN POLAND - THERMAL COAL MARKET

Prices of coal sold to commercial power plants in Poland



AGENDA



1. Key operating data
2. Coal market overview
- 3. Financial highlights**
4. Capex projects in 1H 2014
5. Appendices – Financial information

LW BOGDANKA GROUP RESULTS FOR Q2 2014 AND Q2 2013, FOR 1H 2014 AND 1H 2013



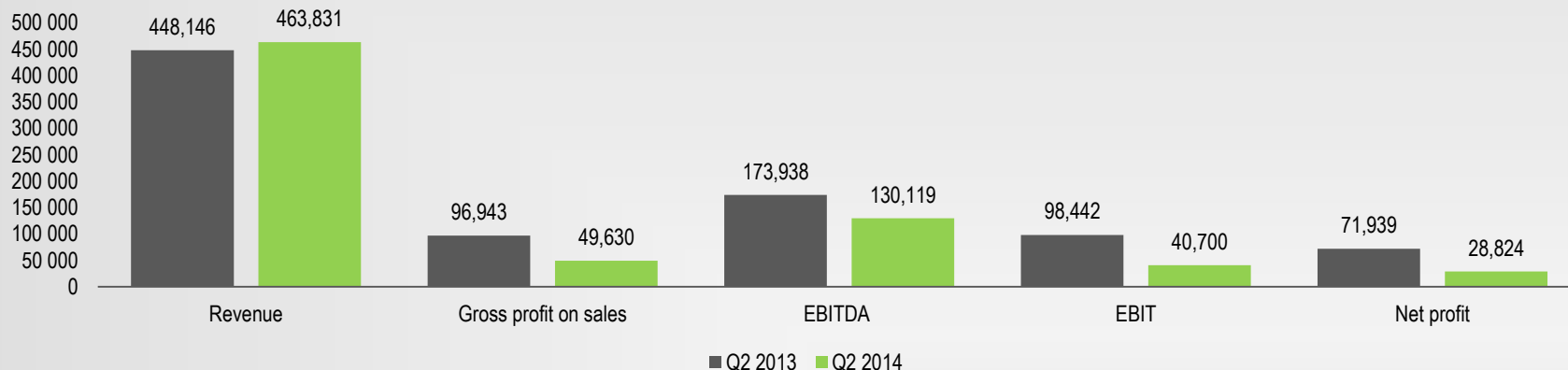
| Item | Unit | Q2 2014 | Q2 2013* Re-stated | Change % (Q2 2014/ Q2 2013) | 1H 2014 | 1H 2013 | Change % (1H 2014/ 1H 2013) |
|------------------------------|-------------|---------|-----------------------|-----------------------------------|---------|---------|-----------------------------------|
| Technical and operating data | | | | | | | |
| Gross production | '000 tonnes | 3,092 | 2,906 | 6.4% | 6,435 | 5,870 | 9.6% |
| Net production | '000 tonnes | 2,015 | 2,050 | -1.7% | 4,253 | 4,081 | 4.2% |
| Coal sales | '000 tonnes | 2,102 | 1,950 | 7.8% | 4,327 | 3,809 | 13.6% |
| Inventories (end of period) | '000 tonnes | 143 | 291 | -50.9% | 143 | 291 | -50.9% |
| New workings (by length) | km | 7.0 | 6.5 | 7.7% | 16.3 | 13.4 | 21.6% |
| Coal yield | % | 65.2% | 70.5% | -7.5% | 66.1% | 69.5% | -4.9% |
| Financial data | | | | | | | |
| Revenue | PLN '000 | 463,831 | 448,146 | 3.5% | 945,371 | 878,904 | 7.6% |
| Gross profit | PLN '000 | 49,630 | 96,943 | -48.8% | 134,735 | 187,728 | -28.2% |
| EBITDA | PLN '000 | 130,119 | 173,938 | -25.2% | 304,268 | 346,550 | -12.2% |
| EBITDA margin | % | 28.1% | 38.8% | -27.6% | 32.2% | 39.4% | -18.3% |
| EBIT | PLN '000 | 40,700 | 98,442 | -58.7% | 126,658 | 188,156 | -32.7% |
| EBIT margin | % | 8.8% | 22.0% | -60.0% | 13.4% | 21.4% | -37.4% |
| Net profit | PLN '000 | 28,824 | 71,939 | -59.9% | 91,424 | 142,034 | -35.6% |

* The Company has applied amendments to IAS 19 (Employee benefits) and restated the comparable data for Q1 2013, therefore data for Q2 2013 have also been restated.

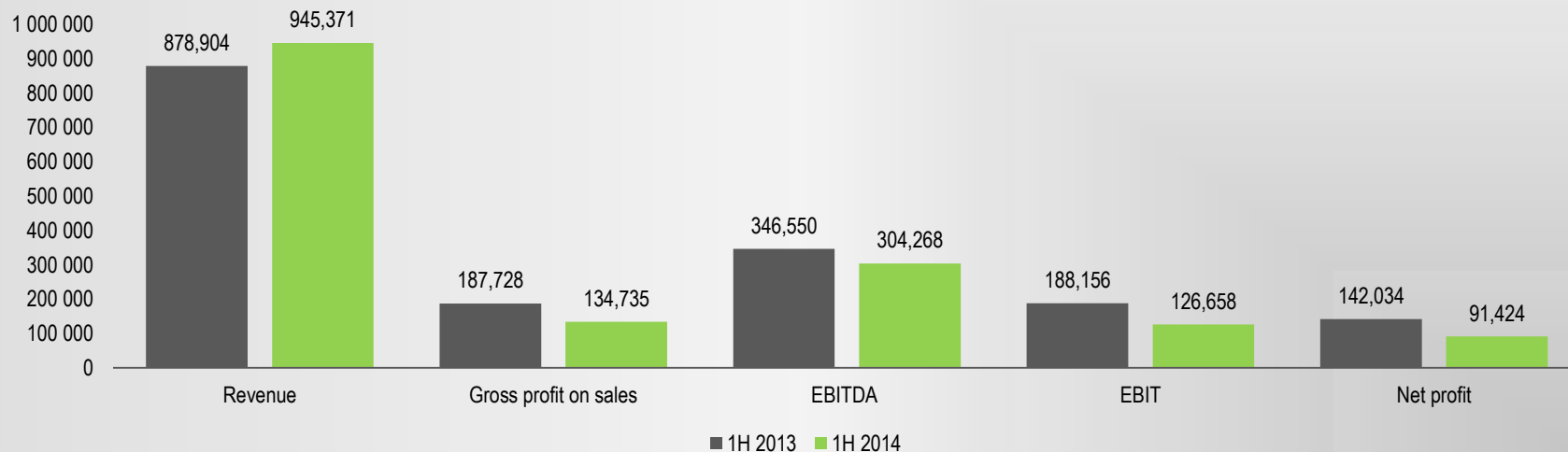
LW BOGDANKA GROUP RESULTS FOR Q2 2013 AND Q2 2014, 1H 2013 AND 1H 2014 – CONTD.



RESULTS FOR Q2 2013 AND Q2 2014 [PLN '000]



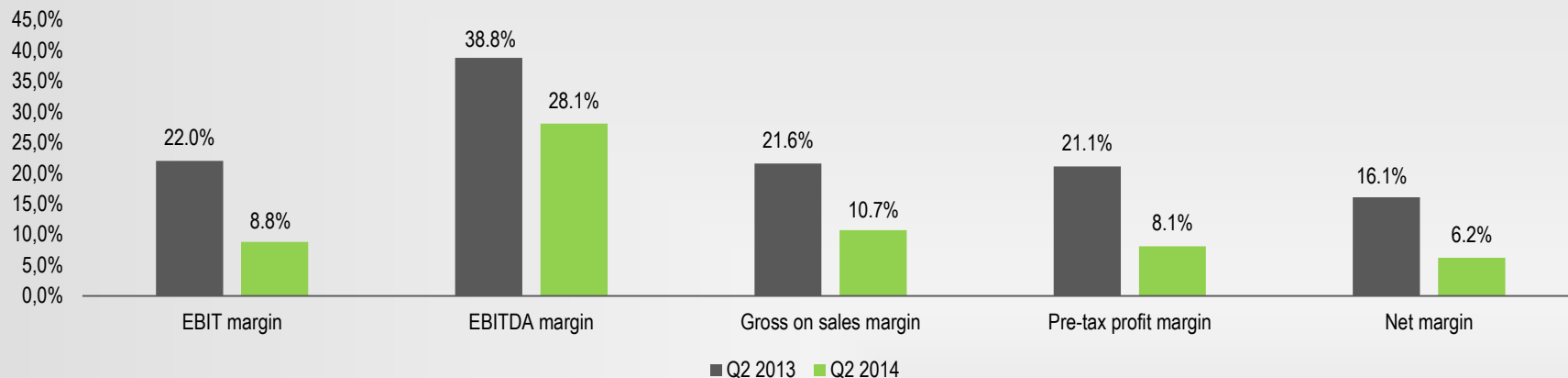
RESULTS FOR 1H 2013 AND 1H 2014 [PLN '000]



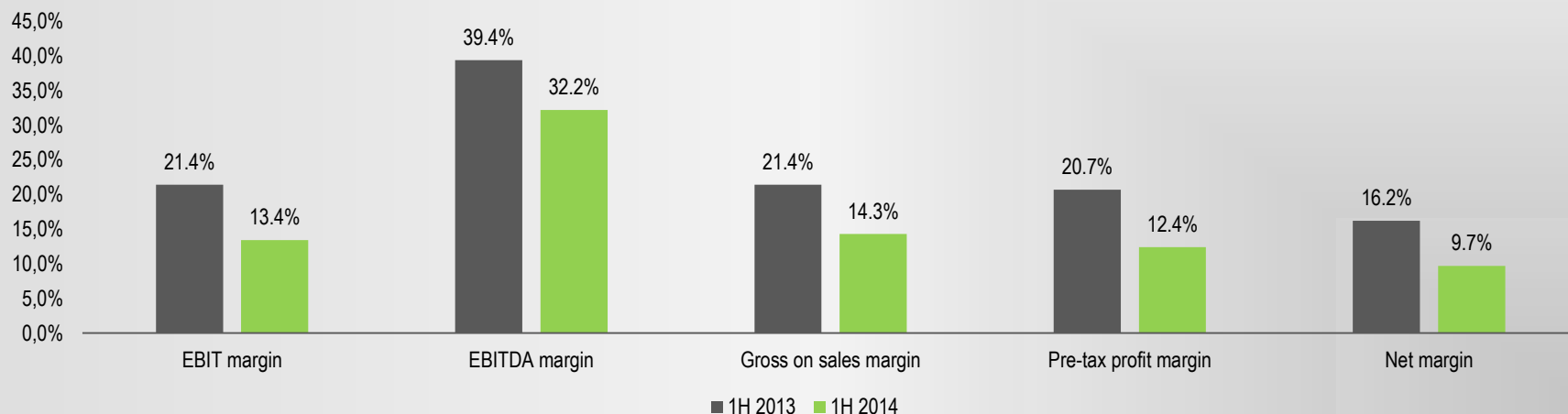
PROFITABILITY RATIOS FOR Q2 2013 AND Q2 2014, 1H 2013 AND 1H 2014



PROFITABILITY IN Q2 2013 AND Q2 2014



PROFITABILITY IN 1H 2013 AND 1H 2014



LW BOGDANKA GROUP RESULTS FOR Q2 2014 AND Q2 2013, 1H 2014 AND 1H 2013 – CONTD.



Revenues

Revenues for Q2 2014 increased by **3.5%** as compared to the same period in 2013 and amounted to **PLN 463,831,000**. The Group's revenues went up by almost **7.6%** in 1H 2014 as compared to 1H 2013 (**PLN 945,371,000 in 1H 2014 as compared to PLN 878,904,000 in 1H 2013**). The main source of revenues for the Group is the production and sale of thermal coal (about 95% of revenues generated by the Group).

Cost of products, goods and materials sold

In Q2 2014 the **costs of products, goods and materials sold grew by 20.3%** in comparison with the same period of 2013 and amounted to **PLN 380,686,000**. Data for 1H 2014 show that the costs increased **by 19.3%**.

Sales and administration expenses

Total **sales and administrative expenses** for Q2 2014 amounted to **PLN 33,515,000** and **were lower by 3.5%** than in the same period of 2013. Costs of **sales and administration** amounted to **PLN 65,842,000 in 1H 2014 as compared to PLN 66,835,000 in 1H 2013**. This means a decrease of 1.5%.

Gross profit on sales

Gross profit on sales in Q2 2014 **fell by 48.8%** as compared to Q2 2013 and amounted to **PLN 49,630,000**. The profit for 1H 2014 decreased by **28.2%** in comparison to 1H 2013.

Operating profit (EBIT)

Operating profit in Q2 2014 amounted to **PLN 40,700,000, which represents a decrease of 58.7%** in comparison to Q2 2013. **EBIT in 1H 2014 was lower** compared to the same period of 2013 **by 32.7%**. **EBIT margin** in Q2 2014 was **8.8%** (i.e. 13.2 p.p. less than in Q2 2013). Data for 1H 2014 and 1H 2013 show **a decrease in EBIT margin to 13.4%** (i.e. decrease by 8.0 p.p.).

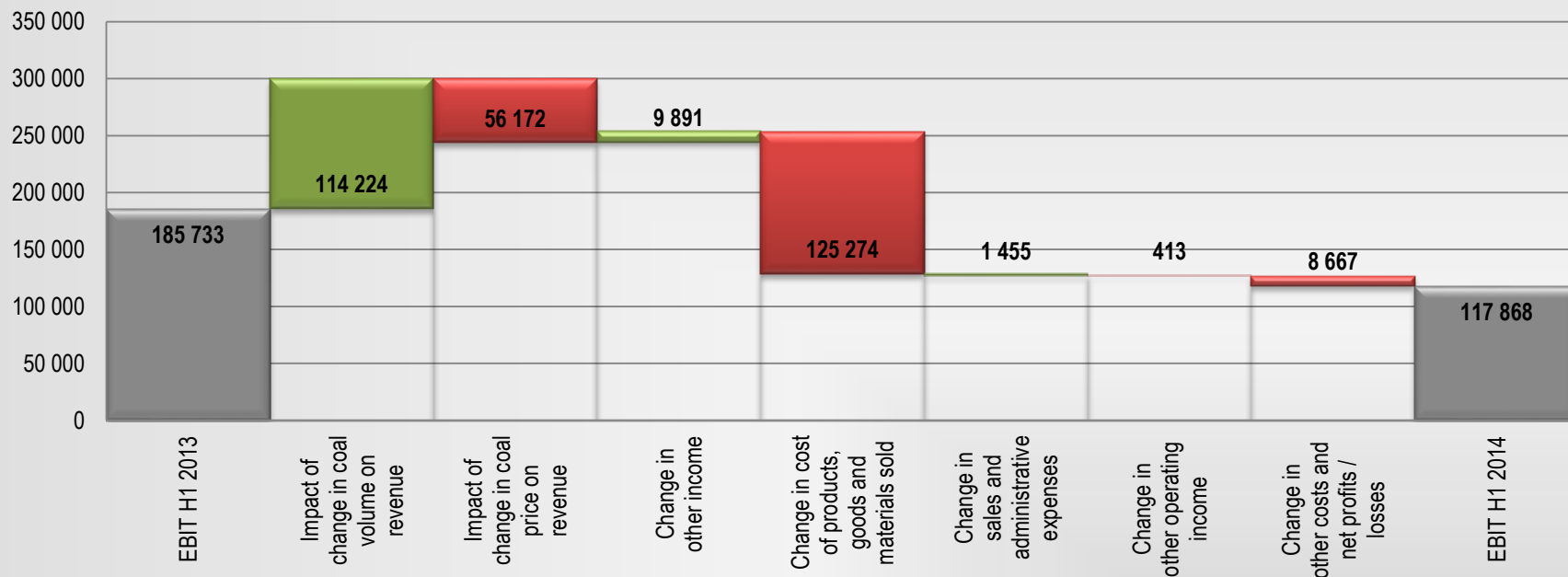
Net profit

The Group's **net profit** for Q2 2014 **was lower** than in Q2 2013 **by 59.9%**. It amounted to **PLN 28,824,000 (2014) as compared to PLN 71,939,000 (2013)**. The **net profit for 1H 2014** amounted to **PLN 91,424,000**, which represents a decrease by **35.6%** as compared to the same period of 2013. The **net profit** for the first half of 2014 attributable to the Company's shareholders totals **PLN 91,217,000** as compared to **PLN 141,744,000 for 1H 2013**.

ANALYSIS OF CHANGE TO EBIT FOR H1 2014 AS COMPARED TO H1 2013



Variance analysis of EBIT at LWB – H1 2014/H1 2013 (PLN '000)



Factors affecting the change of EBIT:

- Increase in sales volume by 518 thousand tonnes (13.6%),
- Decrease in unit coal price by 6.3%,
- Extension of extraction capacity (continuous operation of 4 long walls) with limited coal processing capacity
- Decrease in yield by 3.4% - due to worse than expected quality parameters of deposit; excavation of 3.01 km more galleries - more stone (implying an increase of 4.2% of net production with an increase of 9.6% of gross production)
- Creation of a provision for an increase in accident insurance premium (ZUS / state social security)

LW BOGDANKA S.A.'S EXPENSES BY NATURE IN 2014



BOGDANKA S.A.'S EXPENSES BY NATURE IN Q2 2014 AND Q2 2013, 1H 2014 AND 1H 2013

| Item [PLN '000] | Q2 2014 | Q2 2013* converted | 1H 2014 | 1H 2013 | Change [Q2 2014 / Q2 2013] | Change [1H 2014 / 1H 2013] |
|---|----------------|-----------------------|----------------|----------------|-------------------------------|-------------------------------|
| Depreciation and amortization | 89,058 | 77,605 | 176,775 | 159,575 | 14.8% | 10.8% |
| Materials and energy | 110,245 | 117,392 | 233,726 | 241,696 | -6.1% | -3.3% |
| External services | 117,965 | 105,270 | 235,148 | 210,746 | 12.1% | 11.6% |
| Employee cost and benefits | 114,671 | 105,612 | 246,366 | 226,701 | 8.6% | 8.7% |
| Entertainment and advertising | 2,328 | 1,690 | 4,514 | 4,024 | 37.8% | 12.2% |
| Taxes and charges | 7,560 | 7,079 | 17,380 | 16,024 | 6.8% | 8.5% |
| Other expenses | 805 | 848 | 14,096 | 12,196 | -5.1% | 15.6% |
| Costs by type | 442,632 | 415,496 | 928,005 | 870,962 | 6.5% | 6.5% |
| Activities for the Company's own needs | -60,190 | -66,663 | -126,630 | -133,245 | -9.7% | -5.0% |
| Accruals and deferrals | 26,929 | 19,778 | 22,578 | 22,791 | 36.2% | -0.9% |
| Value of coal produced from excavations | -20,412 | -23,288 | -49,488 | -48,600 | -12.3% | 1.8% |
| Provisions and other presentation adjustments (IAS) | 7,891 | 17,380 | 21,202 | 19,952 | -54.6% | 6.3% |
| Total production costs | 396,850 | 362,703 | 795,667 | 731,860 | 9.4% | 8.7% |
| Change in products | 15,811 | -15,695 | 15,181 | -46,463 | -200.7% | -132.7% |
| Value of goods and materials sold | 2,690 | 2,125 | 5,188 | 4,798 | 26.6% | 8.1% |
| Own cost of production sold, including | 415,351 | 349,133 | 816,036 | 690,195 | 19.0% | 18.2% |
| Costs of products, goods and materials sold | 381,431 | 315,238 | 748,898 | 624,512 | 21.0% | 19.9% |
| Selling costs | 10,439 | 11,153 | 20,323 | 21,324 | -6.4% | -4.7% |
| Administrative costs | 23,481 | 22,742 | 46,815 | 44,359 | 3.2% | 5.5% |

* The Company has applied amendments to IAS 19 (Employee benefits) and restated the comparable data for Q1 2013, therefore data for Q2 2013 has also been restated.

LW BOGDANKA S.A.'S EXPENSES BY NATURE IN 1H 2014 – CONTD.



In 1H 2014, the total cost by type of current operations amounted to PLN 928,005 thousand and were higher than in 1H 2013 by 6.5%, or PLN 57,043 thousand, with an increase in gross production by 9.6% and an increase in the amount of preparatory works by 22.6%.

Entertainment and advertising; 0.5%

Taxes and charges; 1.9%

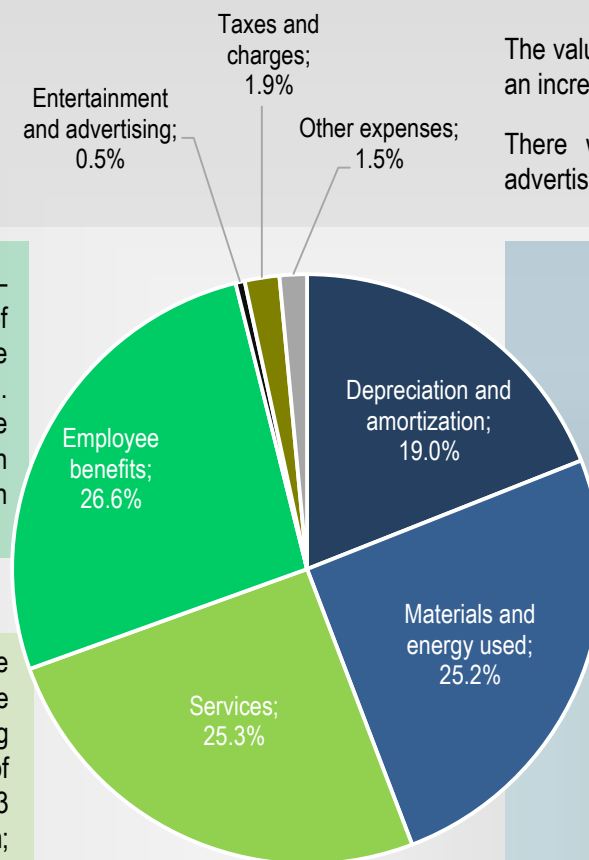
Other expenses; 1.5%

The value of taxes and charges paid has increased as a result of an increase in the amount of mining fee and property tax.

There was an increase in the cost of entertainment and advertising and other expenses (mainly property insurance).

The value of employee benefits grew by PLN 19,665,000 – average employment increased. As disclosed in Table 24 of the Management Report, employment level as at 30 June 2014 was higher by 9.4% as compared to 30 June 2013. Further, the costs of employee benefits in H1 2014 include a portion of the share option programme for 2014 for an amount of PLN 5.9 million; in H1 2013 the option programme was not launched yet.

As far as the outsourced services are concerned, in the period under analysis (1H 2014 against 1H 2013), the recorded increases relate to: the value of drilling and mining services (as a result of drilling and reconstruction of galleries), the length of constructed galleries (increasing by 3 km year-on-year) and reconstruction and dinting the bottom; the value of transportation costs also increased – linked to the amount of rock to be transported and located outside the mine's area as well as to the increase of coal sales, where LWB was responsible for transporting to the customer's place.



Depreciation and amortisation increased by 10.8% (up to PLN 176,775,000), and the increase refers both to the depreciation/amortisation of fixed assets and to the depreciation of galleries (calculated in proportion to the galleries closed). The value of property, plant and equipment as at 30 June 2014 amounts to PLN 3.153 million compared to PLN 3.098 million as at 31 December 2013.

The total value of materials and energy used fell by 3.30% compared to 1H 2013. During H1 2014 the cost of materials and energy used (the total of electricity, heated water and other utilities) dropped by 10.8% together with a drop in the value of materials used (by 1.3%). The decrease in electricity used is a consequence of a fall (by approx. 17%) of the unit purchase price (with the increase in the nominal use of electricity, which was proportional to the change in gross extraction).

LW BOGDANKA GROUP'S BALANCE-SHEET PROVISIONS



GROUP'S ON-BALANCE-SHEET PROVISIONS AT THE END OF 1H 2014, FY 2013 AND 1H 2013

| Item [PLN '000] | As at Jun 30 2014 | As at Dec 31 2013 | As at Jun 30 2013 | Change Jun 30 2014/ Jun 30 2013 [%] | Change Jun 30 2014/ Dec 31 2013 [%] |
|---|-------------------|-------------------|-------------------|-------------------------------------|-------------------------------------|
| Employee provisions | 214,015 | 200,030 | 219,741 | -2.6% | 7.0% |
| Liabilities under local property tax (incl. workings) | 32,581 | 27,846 | 11,673 | 179.1% | 17.0% |
| Mine decommissioning provision | 101,248 | 85,278 | 96,355 | 5.1% | 18.7% |
| Mining damage | 12,230 | 12,933 | 11,211 | 9.1% | -5.4% |
| Accident insurance premium (ZUS) | 10,440 | 0 | 0 | - | - |
| Other | 24,555 | 24,058 | 22,858 | 7.4% | 2.1% |
| TOTAL | 395,069 | 350,145 | 361,838 | 9.2% | 12.8% |

LW BOGDANKA GROUP'S BALANCE-SHEET PROVISIONS – CONTD.



CHANGE OF GROUP'S PROVISIONS IN Q2 2014 AND Q2 2013, 1H 2014 AND 1H 2013

| Item [PLN '000] | Change in Q2 2014 | Change in Q2 2013 | Change in 1H 2014 | Change in 1H 2013 | Change [%] Q2 2014/Q2 2013 | Change [%] 1H 2014/1H 2013 |
|--|----------------------|----------------------|----------------------|----------------------|-------------------------------|-------------------------------|
| Employee provisions | 6,401 | 25,345 | 13,985 | 27,073 | -74.7% | -48.3% |
| Liabilities under local property tax (incl. workings) | 2,395 | 1,085 | 4,735 | 2,171 | 120.7% | 118.1% |
| Mine decommissioning provision | 6,831 | 6,494 | 15,970 | 6,494 | 5.2% | 145.9% |
| Mining damage | -375 | -1,432 | -703 | -2,259 | -73.8% | -68.9% |
| Accident insurance premium (ZUS) | 10,440 | 0 | 10,440 | 0 | - | - |
| Other | -166 | -662 | 497 | -168 | -74.9% | -395.8% |
| TOTAL | 25,526 | 30,830 | 44,924 | 33,311 | -17.2% | 34.9% |

AGENDA



- 1.** Key operating data
- 2.** Coal market overview
- 3.** Financial highlights
- 4.** Capex projects in 1H 2014
- 5.** Appendices – Financial information

LW BOGDANKA'S CAPEX IN 1H 2014 AND BUDGET FOR 2014



| Item [PLN '000] | Actual capex in 1H 2014 | Budget for 2014 |
|--|----------------------------|-----------------|
| DEVELOPMENT CAPEX | 126,245 | 385,781 |
| Extension of the Mechanical Coal Processing Plant, central air conditioning system, other projects | 49,435 | 62,151 |
| Other development projects, including: | 76,810 | 323,630 |
| <i>purchase and assembly of longwall systems</i> | 50,950 | 305,996 |
| <i>purchase of machinery, equipment and ready-to-use assets</i> | 25,860 | 16,834 |
| OPERATING CAPEX | 148,319 | 299,767 |
| New workings and modernisation of existing workings | 128,812 | 238,651 |
| Modernisation and repair of machinery and equipment | 1,776 | 13,430 |
| Environmental protection | 4,615 | 11,610 |
| Other operating investments | 13,116 | 36,076 |
| TOTAL CAPEX OF LW BOGDANKA | 274,564 | 685,548 |
| Łęczyńska Energetyka | 3,551 | 22,705 |
| RG Bogdanka | 74 | - |
| MR Bogdanka | 3 | - |
| EkoTrans | 0 | - |
| TOTAL CAPEX OF LW BOGDANKA GROUP | 278,192 | 708,253 |

SUMMARY & CONCLUSIONS



The Company remains under strong price pressure from the energy industry, which results from higher-than-average levels of coal stock on coal heaps in the Silesian mines and power plants, as well as restructuring processes to be implemented by the government.



Final acceptance and test runs are in progress at the Mechanical Coal Processing Plant. Upon their completion, the Company will be able to increase its production capacity and improve the quality of commercial coal, starting as of the fourth quarter.



The investment process progresses as planned. Starting of Mechanical Coal Processing Plant will allow for using full extraction capacity from longwall fronts and achieving target production capacity set out in Strategy.



The Company has been obtaining debt financing on an optimum level and gradually implements the cost optimisation process in order to achieve the level set out in the Strategy.



The Company is consistently increasing its share in the Polish coal market. Production target for 2014 is 9.3 – 9.6 milion tonnes.



The process for obtaining new licences is in progress. In the second quarter of 2014, the Company obtained a mining licence for K-3 and an exploration licence for Ostrów deposit.



Due to significant changes in the market situation, which happened after the announcement of the Strategy for 2013-2020, the Company's Management Board has started to work on updating the assumptions of this Strategy.

THANK YOU



CONTACT DETAILS

Lubelski Węgiel BOGDANKA S.A.

Bogdanka, 21-013 Puchaczów

Tel. +48 81 462 51 00

bogdanka@lw.com.pl

Investor relations

Tel. +48 81 462 55 44

Tel. +48 81 462 50 29

Fax +48 81 462 54 26

ri@lw.com.pl

AGENDA

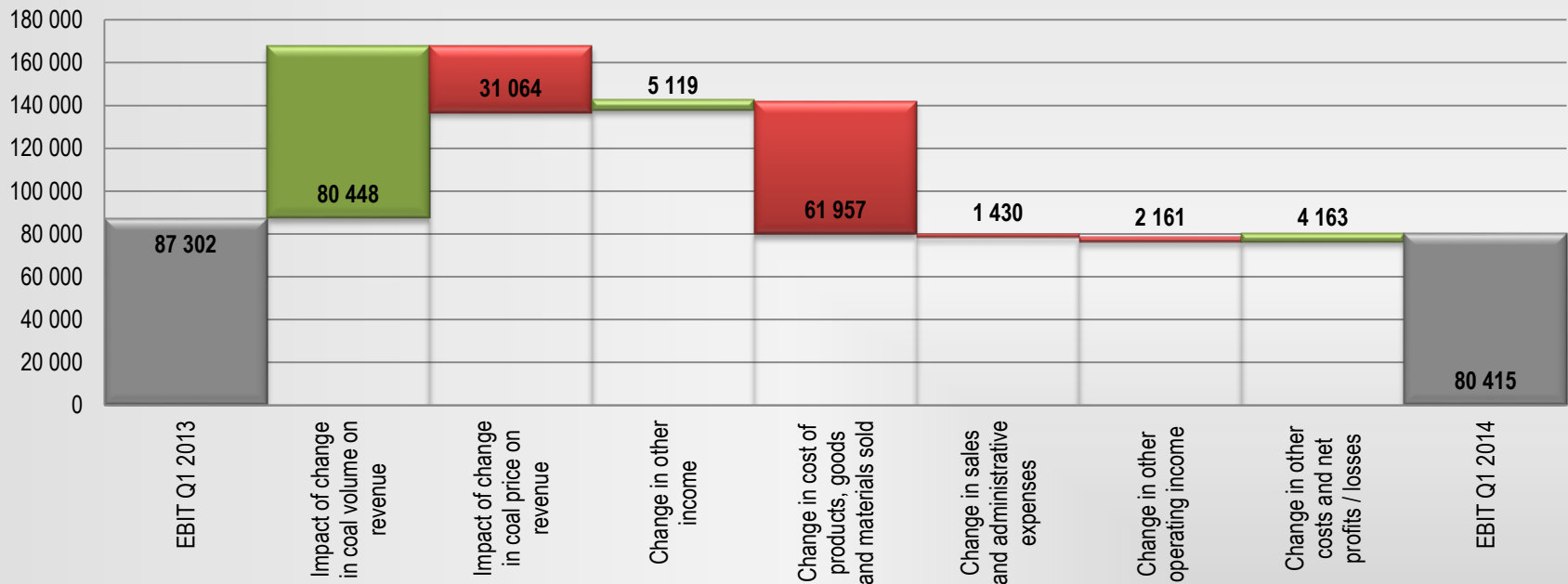


1. Key operating data
2. Coal market overview
3. Financial highlights
4. Capex projects in 1H 2014
- 5. Appendices – Financial information**

ANALYSIS OF CHANGE TO EBIT FOR Q1 2014 AS COMPARED TO Q1 2013



Variance analysis of EBIT at LWB – Q1 2014/Q1 2013 (PLN '000)



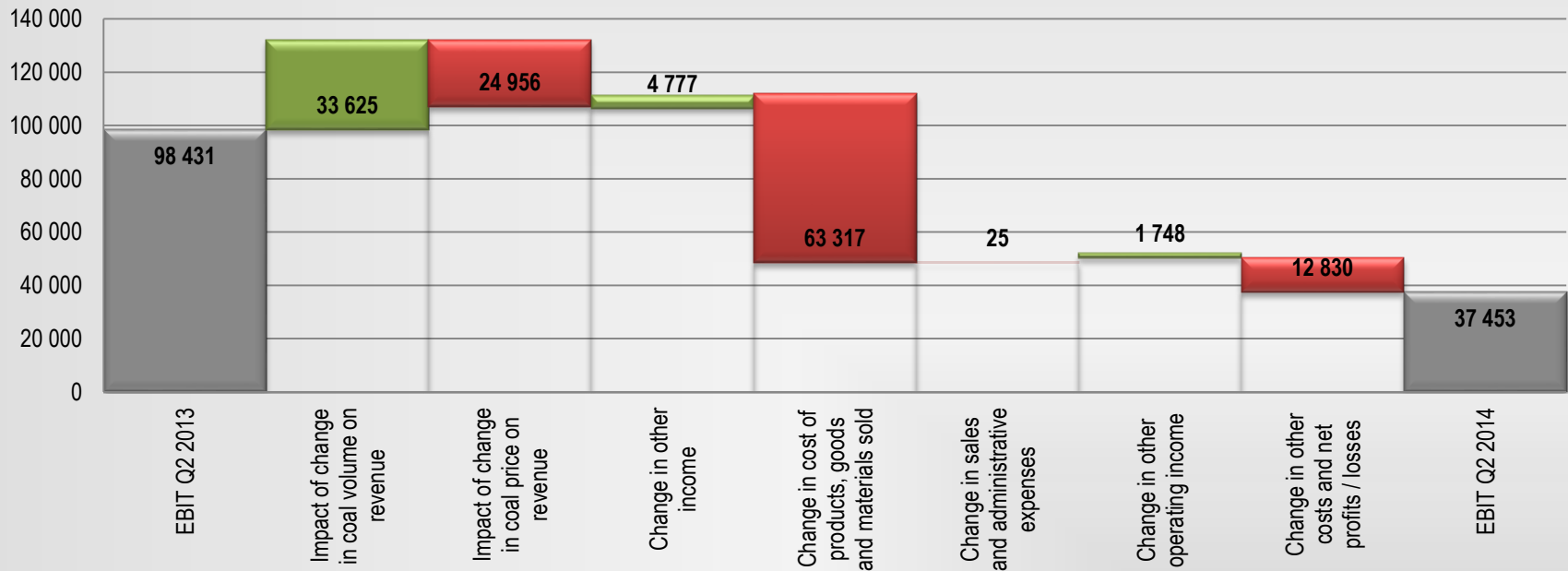
Factors affecting the change of EBIT:

- Increase in sales volume by 366 thousand tonnes (19.7%),
- Decrease in unit coal price by 7.1%,
- 2014 – constantly operation of 4 long walls; 2013 – only one month with 4 long walls,
- Decrease in yield by 1.6 p.p. - excavation of 2.48 km more galleries - more stone (implying a decrease of 10.2% of net production with an increase of 12.8% of gross production)

ANALYSIS OF CHANGE TO EBIT FOR Q2 2014 AS COMPARED TO Q2 2013



Variance analysis of EBIT at LWB – Q2 2014/Q2 2013 (PLN '000)



Factors affecting the change of EBIT:

- Increase in sales volume by 152 thousand tonnes (7.8%),
- Decrease in unit coal price by 5.5%,
- Extension of extraction capacity (continuous operation of 4 long walls) with limited coal processing capacity
- Decrease in yield by 5.4% - due to worse than expected quality parameters of deposit; excavation of 0.54 km more galleries - more stone (implying a decrease of 1.7% of net production with an increase of 6.4% of gross production)
- Creation of a provision for an increase in accident insurance premium (ZUS / state social security)



PLACE FOR DISCLOSING THE IMPACT OF CHANGE IN THE PROVISIONS IN THE FINANCIAL STATEMENTS OF LW BOGDANKA S.A.

| IMPACT OF CHANGE IN THE PROVISIONS IN THE FINANCIAL STATEMENTS OF LW BOGDANKA S.A. | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------------------|---------------------------|
| Item [PLN '000] | Q2 2014 | Q2 2013 | 1H 2014 | 1H 2013 | Change Q2 2014/Q2 2013 | Change 1H 2014/1H 2013 |
| Change disclosed in operating activity (EBITDA) | 22,612 | 28,335 | 41,739 | 31,738 | -20.2% | 31.5% |
| Change disclosed below the result of operating activity - interest | 3,131 | 5,187 | 9,572 | 7,749 | -39.6% | 23.5% |
| Change disclosed only in the balance sheet – increase in balance-sheet value of non-current assets | 6,071 | 2,642 | 10,795 | 2,642 | 129.8% | 308.6% |
| Change disclosed in Other Comprehensive Income | 489 | 6,060 | -1,550 | 6,270 | -91.9% | -124.7% |
| Change disclosed only in the balance-sheet — use of the provision | - 6,777 | - 11,394 | -15,632 | -15,088 | -40.5% | 3.6% |
| TOTAL | 25,526 | 30,830 | 44,924 | 33,311 | -17.2% | 34.9% |

ANALYSIS OF THE CONSOLIDATED INCOME STATEMENT OF LW BOGDANKA GROUP



| Item [PLN '000] | Q2 2014 | Q2 2013* converted | Change (Q2 2014/ Q2 2013) | 1H 2014 | 1H 2013 | Change (1H 2014/ 1H 2013) |
|---|---------|-----------------------|---------------------------------|---------|---------|---------------------------------|
| Revenue | 463,831 | 448,146 | 3.5% | 945,371 | 878,904 | 7.6% |
| Cost of products, merchandise and materials sold, distribution cost, administrative expenses | 414,201 | 351,203 | 17.9% | 810,636 | 691,176 | 17.3% |
| Gross profit | 49,630 | 96,943 | -48.8% | 134,735 | 187,728 | -28.2% |
| Gross margin | 10.7% | 21.6% | -50.5% | 14.3% | 21.4% | -33.2% |
| Other income | 750 | -519 | -244.5% | 828 | 1,908 | -56.6% |
| Other expenses | 528 | 186 | 183.9% | 999 | 542 | 84.3% |
| Net operating profit/loss | 49,852 | 96,238 | -48.2% | 134,564 | 189,094 | -28.8% |
| Other net gains/(losses) | -9,152 | 2,204 | -515.2% | -7,906 | -938 | 742.9% |
| Operating profit (EBIT) | 40,700 | 98,442 | -58.7% | 126,658 | 188,156 | -32.7% |
| EBIT margin | 8.8% | 22.0% | -60.0% | 13.4% | 21.4% | -37.4% |
| EBITDA | 130,119 | 173,938 | -25.2% | 304,268 | 346,550 | -12.2% |
| EBITDA margin | 28.1% | 38.8% | -27.6% | 32.2% | 39.4% | -18.3% |
| Finance income | 2,250 | 1,636 | 37.5% | 4,601 | 2,904 | 58.4% |
| Finance costs | 5,368 | 5,741 | -6.5% | 14,463 | 9,085 | 59.2% |
| Profit before tax | 37,582 | 94,337 | -60.2% | 116,796 | 181,975 | -35.8% |
| Pre-tax profit margin | 8.1% | 21.1% | -61.6% | 12.4% | 20.7% | -40.1% |
| Income tax | 8,758 | 22,398 | -60.9% | 25,372 | 39,941 | -36.5% |
| Net profit for the reporting period | 28,824 | 71,939 | -59.9% | 91,424 | 142,034 | -35.6% |
| Net margin | 6.2% | 16.1% | -61.5% | 9.7% | 16.2% | -40.1% |
| - attributable to owners of the Company | 28,836 | 71,881 | -59.9% | 91,217 | 141,744 | -35.6% |

* The Group has applied amendments to IAS 19 (Employee benefits) and restated the comparable data for Q1 2013, therefore data for Q2 2013 has also been restated.

STATEMENT OF FINANCIAL POSITION OF LW BOGDANKA GROUP



| Item [PLN '000] | 30.06.2014 | 31.12.2013 |
|--------------------------------|------------------|------------------|
| Non-current assets, including: | 3,332,851 | 3,274,004 |
| Cash and cash equivalents | 79,143 | 77,912 |
| Current assets, including: | 624,298 | 570,126 |
| Cash and cash equivalents | 204,080 | 212,004 |
| Total assets | 3,957,149 | 3,844,130 |
| Current liabilities | 906,492 | 808,968 |
| Non-current liabilities | 696,869 | 579,631 |
| Total liabilities | 1,603,361 | 1,388,599 |
| Equity | 2,353,788 | 2,455,531 |
| Current borrowings | 299,043 | 421,000 |

CASH FLOWS OF LW BOGDANKA GROUP



| Item [PLN '000] | 1H 2014 | 1H 2013 |
|--|-----------------|-----------------|
| Net cash flows from (used in) operating activities | 334,959 | 322,657 |
| Cash inflow from operating activities | 357,287 | 337,111 |
| Interest received | 2,692 | 482 |
| Income tax paid | -25,020 | -14,936 |
| Net cash flows from (used in) investing activities | -316,294 | -285,291 |
| Acquisition of property, plant and equipment | -311,512 | -277,534 |
| Interest paid regarding investing activity | -5,719 | -6,519 |
| Acquisition of intangible assets | -147 | -1,991 |
| Inflow from the sale of property, plant and equipment | 36 | 163 |
| Interest received | 2,279 | 1,389 |
| Outflow on account of funds being deposited in the bank account of the Mine Closure Fund | -1,231 | -799 |
| Net cash from (used in) financing activities | -26,589 | -6,023 |
| Received from loans and borrowings | 18,043 | - |
| Inflow from issue of bonds | 100,000 | - |
| Repayments of loans and borrowings | -140,000 | -5,000 |
| Interest and commissions paid on loans and borrowings | -4,640 | -1,023 |
| Other net cash flow from (used in) financing activities | 8 | - |
| Net decrease in cash and cash equivalents | -7,924 | 31,343 |
| Cash and cash equivalents at beginning of the period | 212,004 | 120,551 |
| Cash and cash equivalents at end of the period | 204,080 | 151,894 |

SALES STRUCTURE AT LW BOGDANKA GROUP IN Q2 2014



| Item [PLN '000] | Q2 2014 | Share [%] | Q2 2013 | Share [%] |
|------------------------------------|----------------|----------------|----------------|----------------|
| Coal sales | 443,738 | 95.7% | 432,116 | 96.4% |
| Ceramics sales | 1,097 | 0.2% | 1,682 | 0.4% |
| Other activities | 16,295 | 3.5% | 12,157 | 2.7% |
| Sales of merchandise and materials | 2,701 | 0.6% | 2,191 | 0.5% |
| Total revenue | 463,831 | 100.00% | 448,146 | 100.00% |

ZASTRZEŻENIA PRAWNE



This presentation (the “Presentation”) has been prepared by BOGDANKA S.A. (the “Company”). The information contained in this Presentation has been compiled and prepared with due care, based on facts and data taken from sources believed by the Company to be reliable, in particular based on the Company’s own research and estimates prepared on the basis of publicly available information, or Company data not constituting inside information within the meaning of Art. 154 of the Act on Trading in Financial Instruments. The Company shall not be held liable for anything resulting from the use of information contained in this Presentation.

No information contained in this Presentation shall be construed as a recommendation or as investment, legal or tax advice, nor is it an indication that any investment or strategy is suitable or addressed individually to any investor. The Company does not guarantee that the information contained herein is complete and does not accept any liability for the consequences of investment decisions made on the basis of this Presentation. Sole responsibility for such investment decisions and any resulting losses shall lie with the investor. Every investor making an investment decision in reliance on this Presentation is obliged to make its own assessment of the risks and benefits of the sale or acquisition of Company shares, based on all information made available by the Company in this Presentation as well as its current and periodic reports.

Such information is based on assumptions relating to the Company’s current and future strategies, and to the economic environment in which the Company will be operating in the future. Such information is based on assumptions relating to the Company’s current and future strategies, and to the economic environment in which the Company will operate in the future. Accordingly, actual performance may significantly differ from the plans, objectives and expectations expressed herein. Further, the Company notes that some of the information may become outdated, and the Company does not undertake any obligation to update such information.

This Presentation is not an offer within the meaning of civil law, nor is it a public offering within the meaning of the Public Offering Act, nor is it a proposal, advertisement or invitation to purchase Company shares, and has been prepared for information purposes only.

Nothing in this Presentation shall be taken as a commitment to enter into any agreement or establish any legal relationship involving the Company.



LUBELSKI WĘGIEL
„BOGDANKA”
SPÓŁKA AKCYJNA

THANK YOU FOR YOUR ATTENTION

GK LW BOGDANKA



Warsaw 28.08.2014