



LUBELSKI WĘGIEL
„BOGDANKA”
SPÓŁKA AKCYJNA

PRESENTATION AND RESULTS FOR

✓ Q3 2014 ✓ 1-3Q 2014

GK LW BOGDANKA

Warsaw 06.11.2014



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 IN Q3 2014 AND IN Q2 2014



LW BOGDANKA GROUP RESULTS IN Q3 2014 VS. Q2 2014

+ 18.0% ↑
2,377,000 t

NET PRODUCTION

+ 11.4% ↑
7.8 km

**NEW WORKINGS
(BY LENGTH)**

+ 18.7% ↑
2,495,000 t

**COAL SALES
(BY VOLUME)**

+ 17.5% ↑

PLN 544,973,000

**REVENUES
ON SALES**

+ 145.6% ↑

PLN 99,950,000

EBIT

+ 52.3% ↑

PLN 198,216,000

EBITDA

+ 175.4% ↑

PLN 79,370,000

NET PROFIT

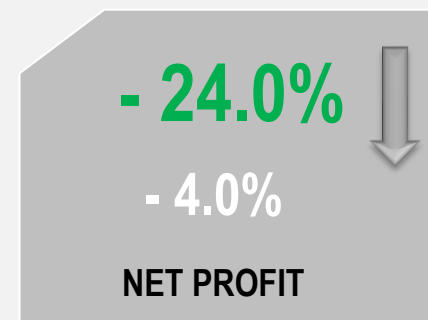
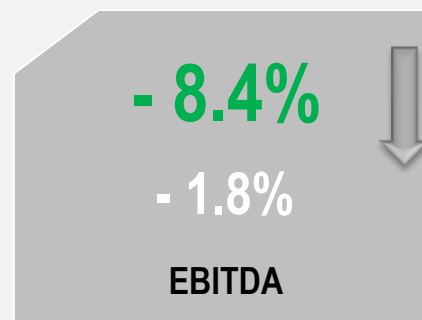
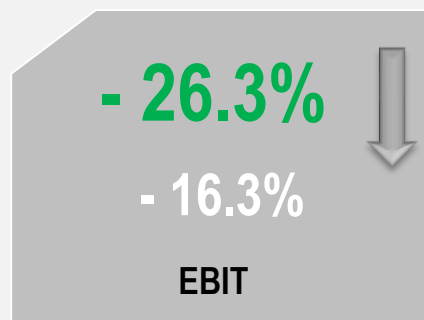
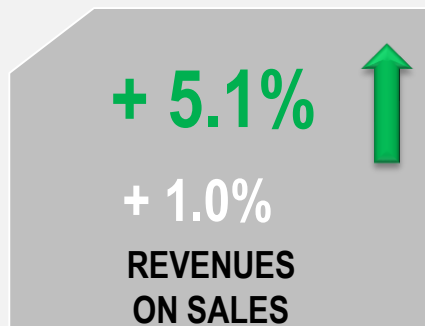
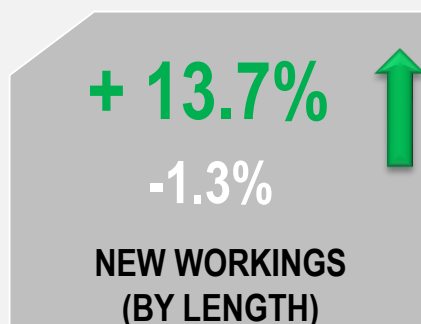
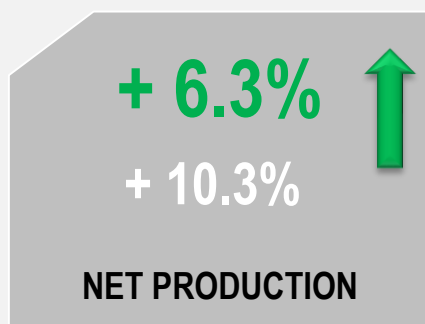
■ Change [%] Q3 2014/Q2 2014

□ Results in Q3 2014

LW BOGDANKA GROUP RESULTS FOR 1-3Q 2014 AND Q3 2014



LW BOGDANKA GROUP RESULTS FOR 1-3Q 2014 AND Q3 2014 VS. 1-3Q 2013 AND Q3 2013



■ 1-3Q 2014

□ Q3 2014

AGENDA



1. Key operating data

2. Coal market overview

3. Financial highlights

4. Capex projects in 1-3Q 2014

5. Appendices – Financial information

PRODUCTION AND SALES OF COMMERCIAL-GRADE COAL AT LW BOGDANKA S.A. IN Q3 2014 AND 1-3Q 2014



Gross production

- **3,522.7 thousand tonnes** in Q3 2014 (up by **12.2%** on Q3 2013)
- **9,957.3 thousand tonnes** in 1-3Q 2014 (up by **10.5%** on 1-3Q 2013)
- Production in 1-3Q 2014 was performed on 4,3 walls vs. 3,4 walls in the same period in 2013

Net production

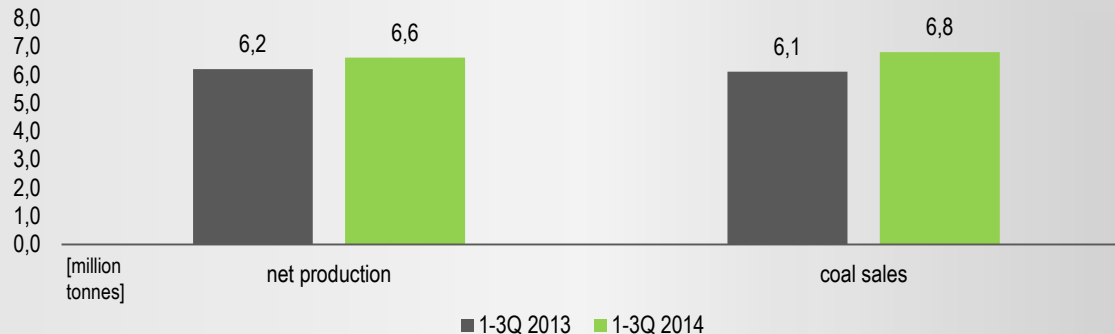
- **2,377.5 thousand tonnes** in Q3 2014 (increase by **10.3%** on Q3 2013)
- **6,630.9 thousand tonnes** in 1-3Q 2014 (increase by **6.3%** on 1-3Q 2013)
- The high production in Q3 2014 was a result of the launching, in September this year, of the new Mechanical Coal Processing Plant which is in a start-up phases.

New galleries

- Work is ongoing **to open up new coal seams**: in Q3 2014 **7.8 km of new galleries** were developed as compared to **7.9 km in Q3 2013** (change of **-1.3%**), in 1-3Q 2014 **24.1 km of new galleries** were developed as compared to **21.2 km in 1-3Q 2013** (an increase of **2.9 km, i.e. 13.7%**)

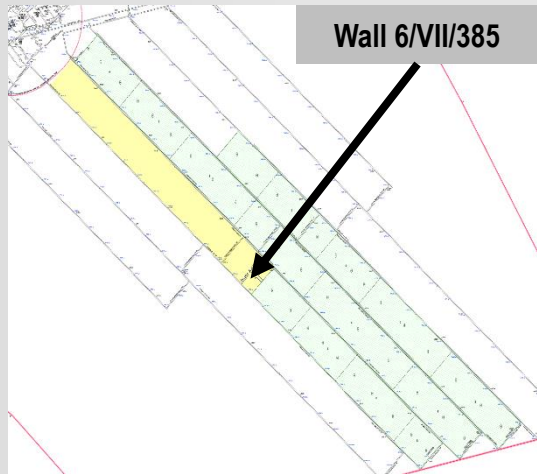
Coal sales

- In Q3 2014 there was a significant increase in coal sales, where **2,495.5 thousand tonnes** of coal was sold, i.e **9.7% (219.6 thousand tonnes)** more than Q3 2013
- In 1-3Q 2014 coal sales was **6,822.8 thousand tonnes** versus **6,085.0 thousand tonnes** in 1-3Q 2013, an increase by **12.1% (737.8 thousand tonnes)**

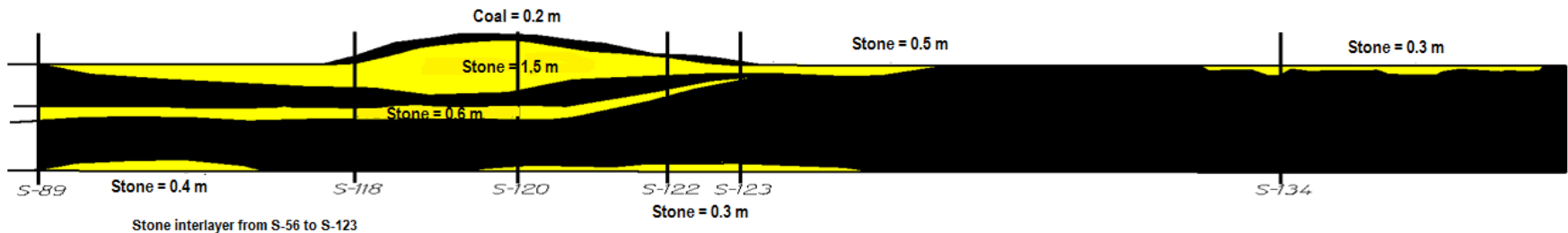
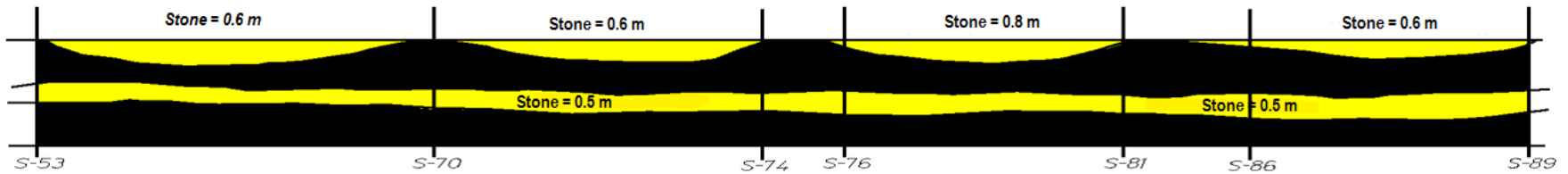
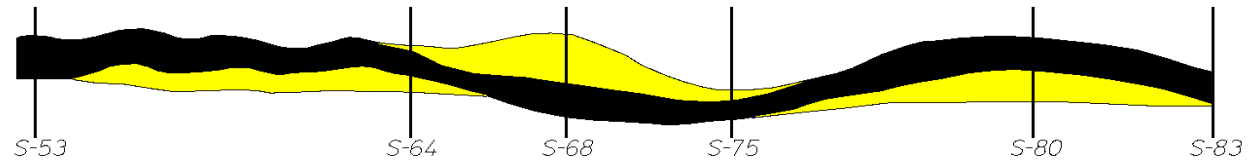


DIFFICULT GEOLOGICAL CONDITIONS – SEAM DISRUPTIONS

STEFANÓW FIELD, WALL 6/VII/385



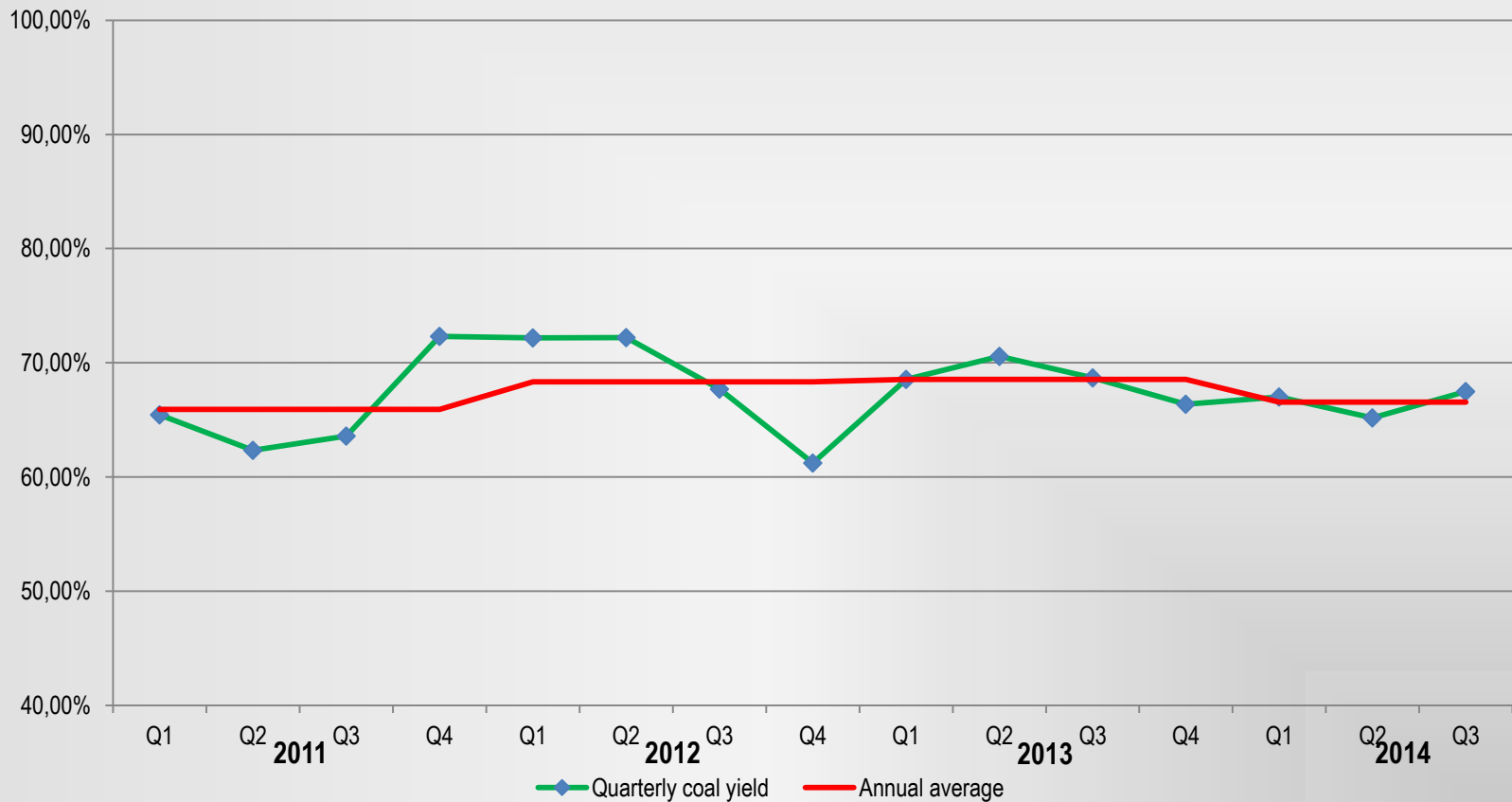
- S-53 to S-54 seam bending 32 cm upwards
- S-55 to S-58 seam bending 55 cm upwards
- S-59 to S-63 waste rock in floor max. 86 cm
- S-64 to S-72 sandstone max. 100 cm for S-68
- S-75 seam thickness 80 cm
- S-75 to S-84 waste rock in floor max. 80 cm



COAL YIELD AT LW BOGDANKA S.A.



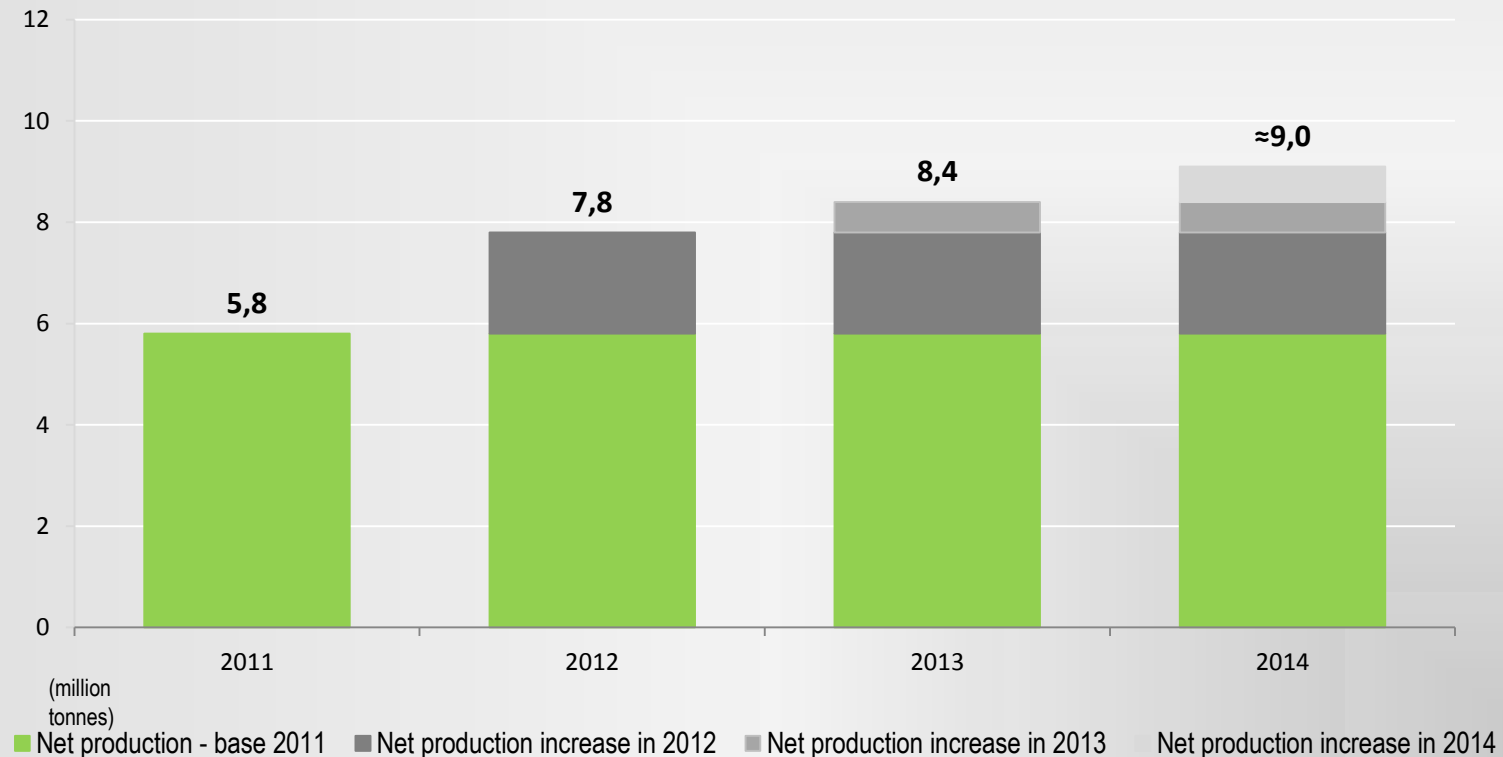
COAL YIELD AT LW BOGDANKA S.A. [2011 – 2014]



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 coal yield resulting from continuing difficult geological conditions, net production is estimated to reach in 2014 approx. 9.0 million tonnes of commercial coal.



LAUNCHING MECHANICAL COAL PROCESSING PLANT



- Extension of the Mechanical Coal Processing Plant will enable the Company to double its production thanks to doubling its capacity to 2,400 t/h in nominal terms on the “wet” line.
- Currently test runs are in progress in order to perform calibration of the production process to the best extent possible.
- The installation is ready for the production of commercial coal. Currently, as part of the test run, the production is being increased up to a full use of the nominal production capacity.

| Extraction capacity of MCPP | It was | It is |
|-------------------------------|----------------|----------------|
| Theoretical operation time | 22.5 h | 22.5 h |
| Production capacity (nominal) | 27,000 t/a day | 54,000 t/a day |
| Production capacity (maximum) | 67,500 t/a day | |

| Extraction capacity of shafts | Shaft 1.3 - Bogdanka | Shaft 2.1 - Stefanów |
|-------------------------------|----------------------|----------------------|
| Theoretical operation time | 20.0 h | 20.0 h |
| Total daily extraction of LWB | 52,050 t | |

PICTURES OF MECHANICAL COAL PROCESSING PLANT



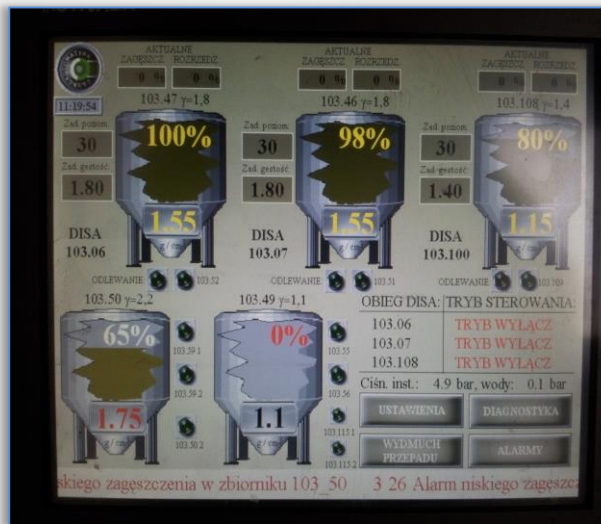
VIEW ON CONVEYOR BRIDGES
CONNECTING FACILITY 101.1 WITH
FACILITY 103.1/106.1



DISA SEPARATORS



CHAMBER PASSES



VISUALISATION OF HEAVY MEDIA CONTROL
SYSTEM

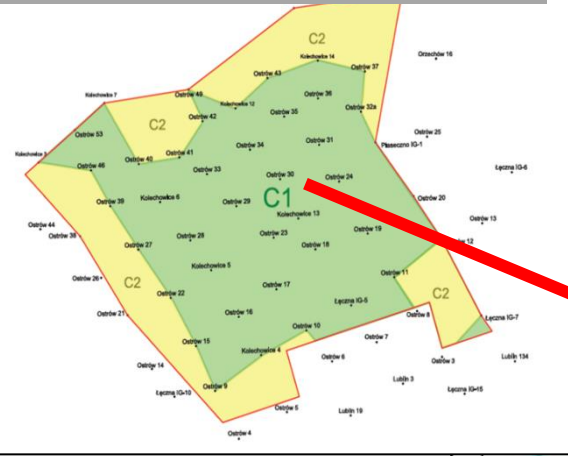


MCPD CONTROL ROOM

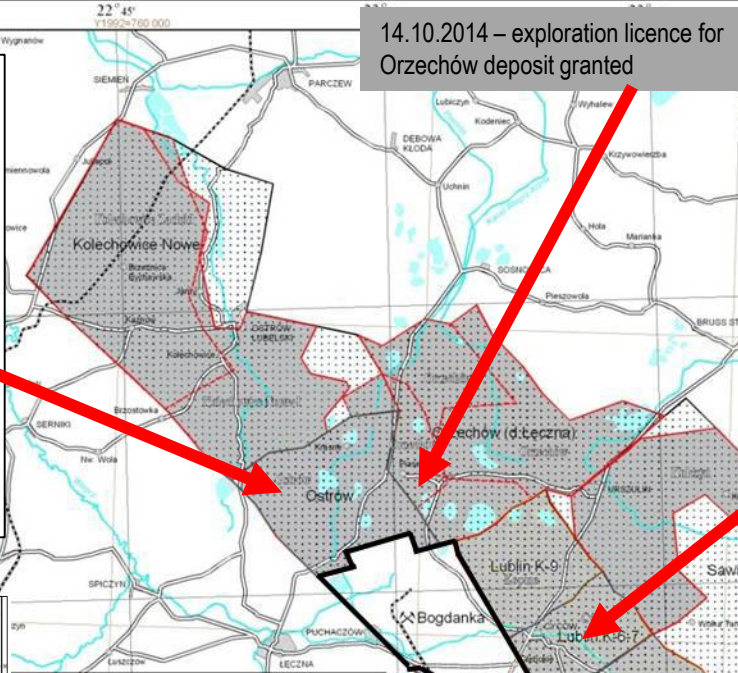
DOUBLING OF RESOURCES – LICENCES



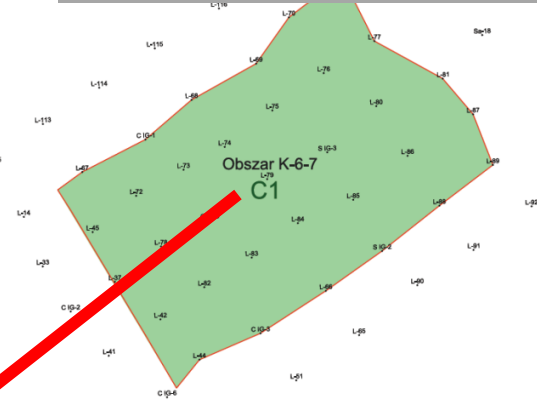
30.06.2014 – exploration licence for Ostrów deposit granted



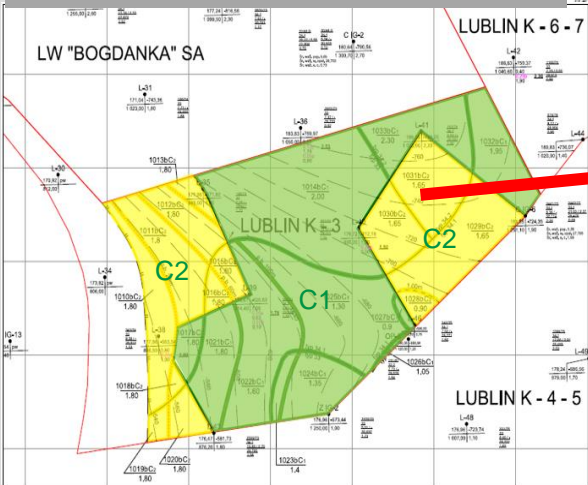
14.10.2014 – exploration licence for Orzechów deposit granted



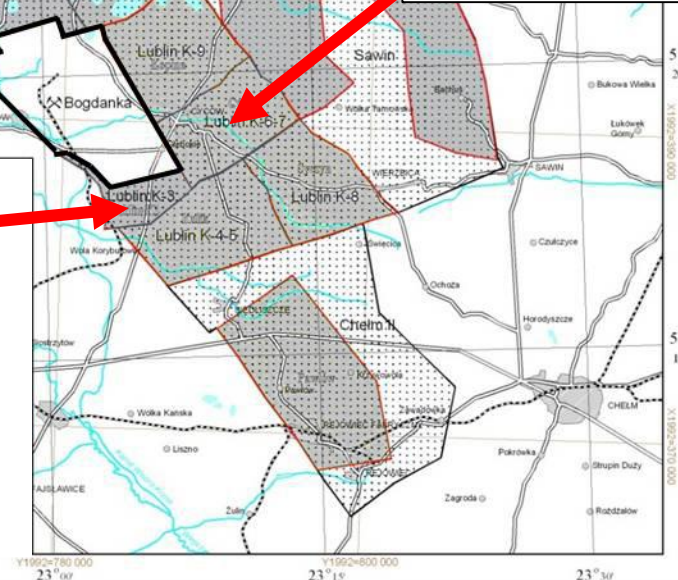
The company appealed of the negative decision of the Ministry of Environment received 5.09.2014 regarding its application for the mining licence for the K-6-7 area.



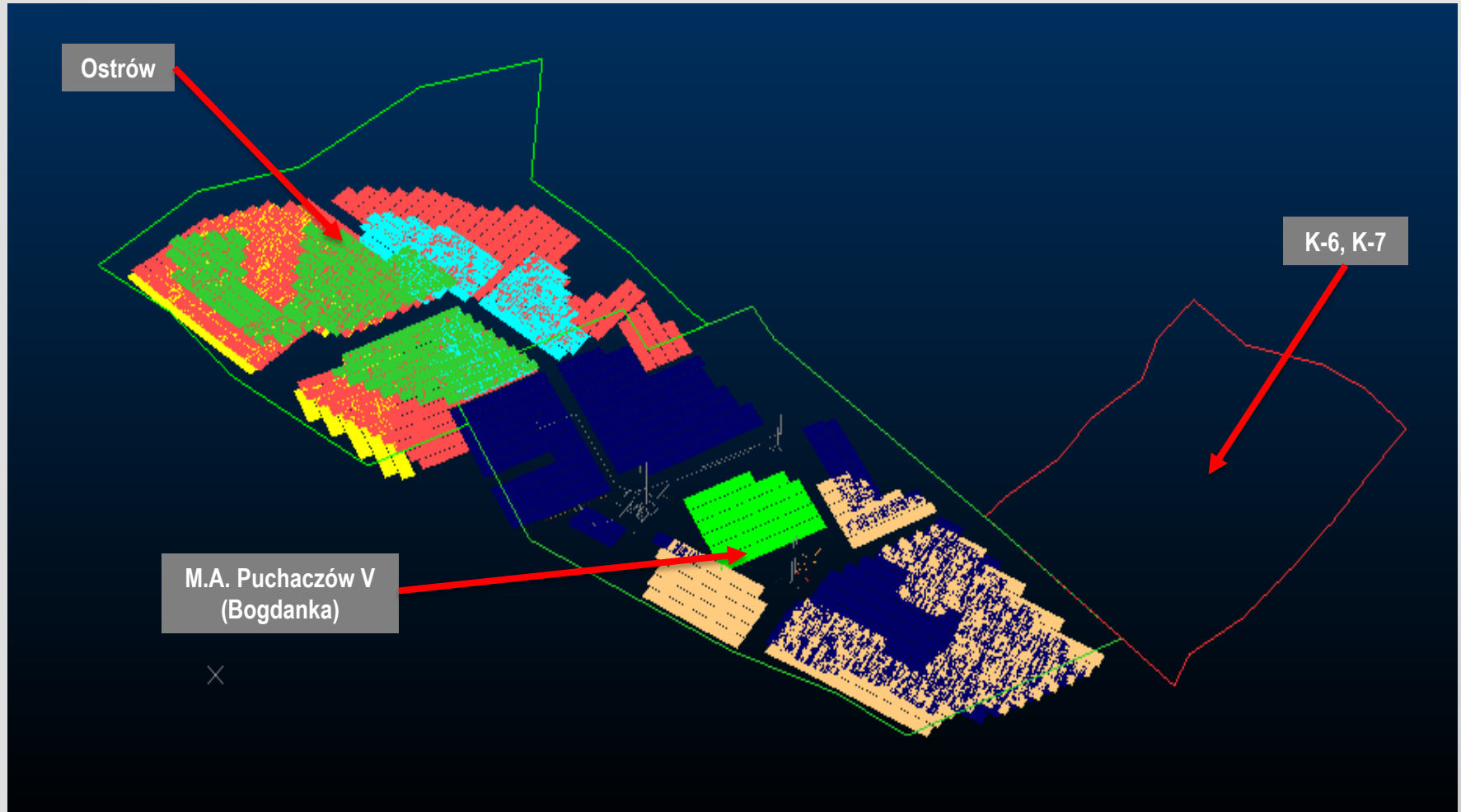
17.06.2014 – mining licence for K-3 deposit granted



DETAIL OF THE LUBLIN COAL BASIN

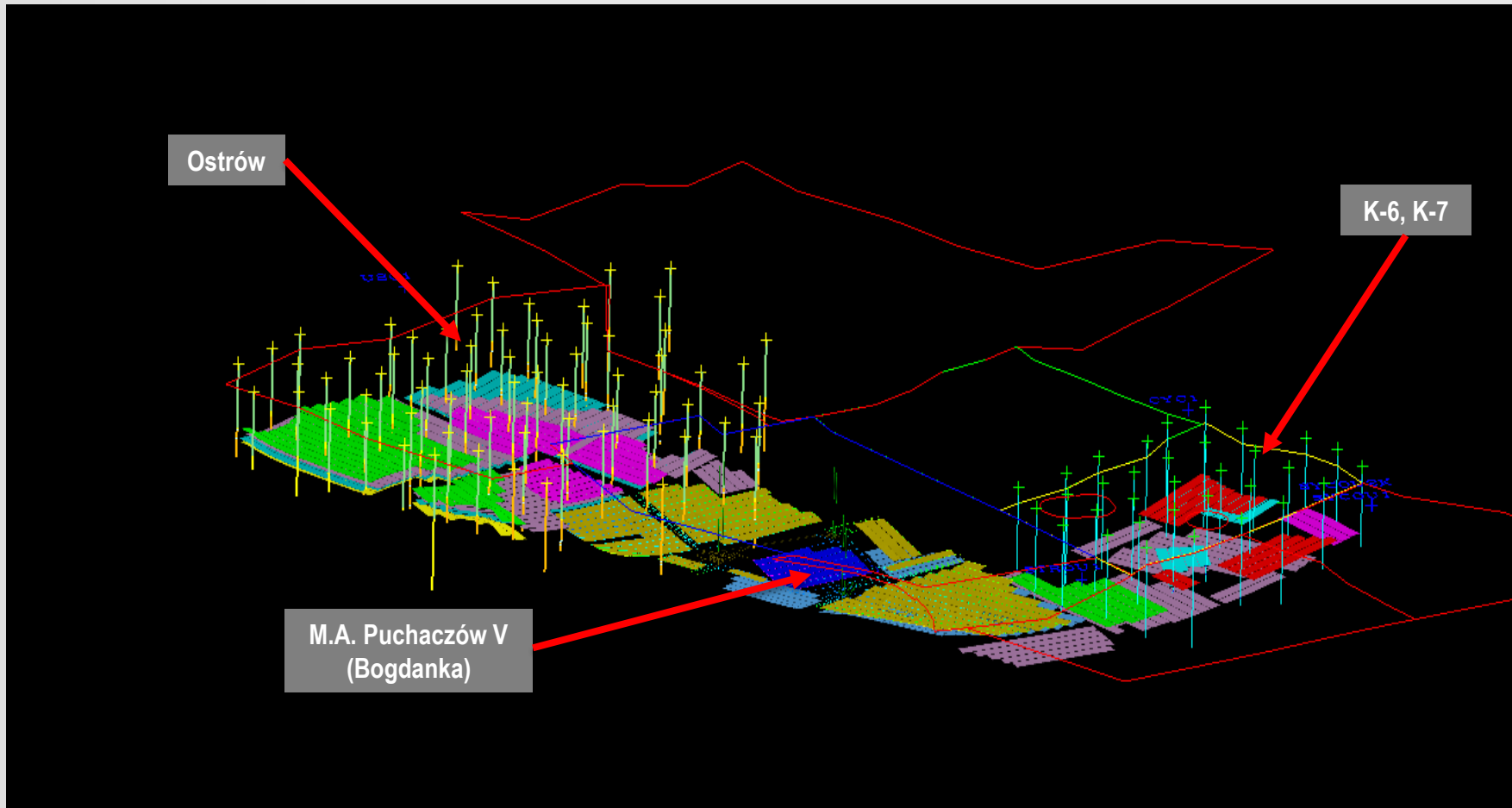


DOUBLING OF RESOURCES – PLANED VARIANTS OF EXPLORATION – LWB + OSTRÓW



The scheme shows the location of mining areas.

DOUBLING OF RESOURCES – PLANED VARIANTS OF EXPLORATION – LWB + OSTRÓW + K6,K7

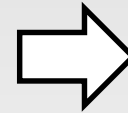


The scheme shows locations of geological perforation.

APPLICATION FOR THE MINING LICENCE FOR OSTRÓW DEPOSIT IS CURRENTLY PREPARED



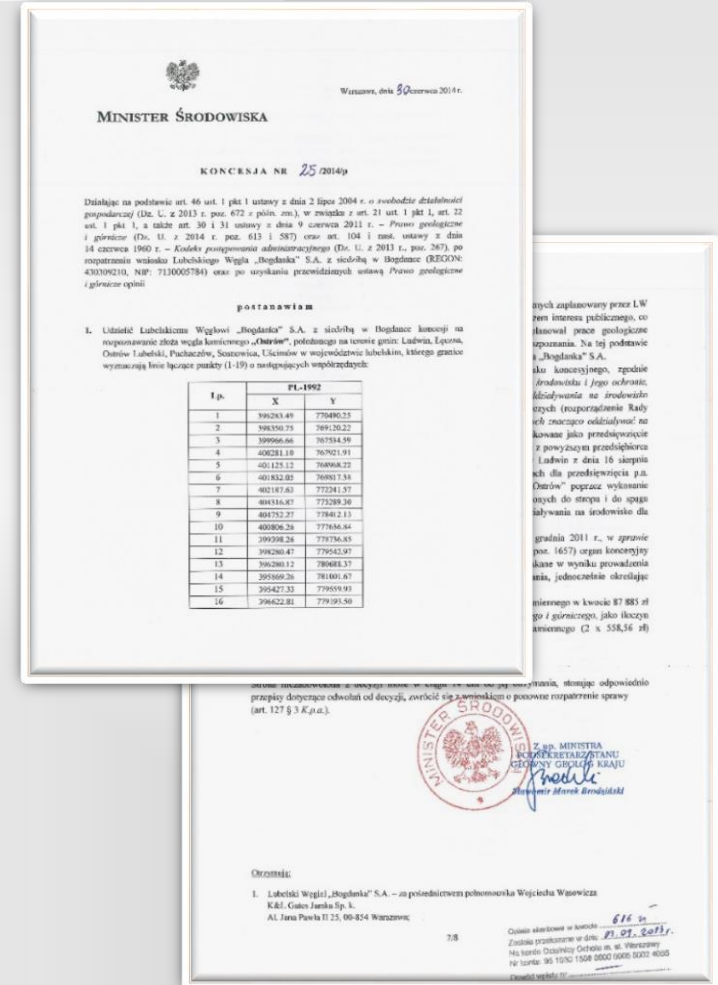
1. Realisation of the first stage of works related to the OSTRÓW deposit exploration licence



2. Preparation the following documents to the mining licence application:

- Geological Documentation;
- Deposit Management Plan;
- Environmental Report:
 - Project Data Sheet;
 - Environmental catalogue;
 - Environmental assumptions to the Deposit Management Plan.

Once the above documents are completed, the Company will be able to apply for a mining licence within the “Ostrów” area in 2016.

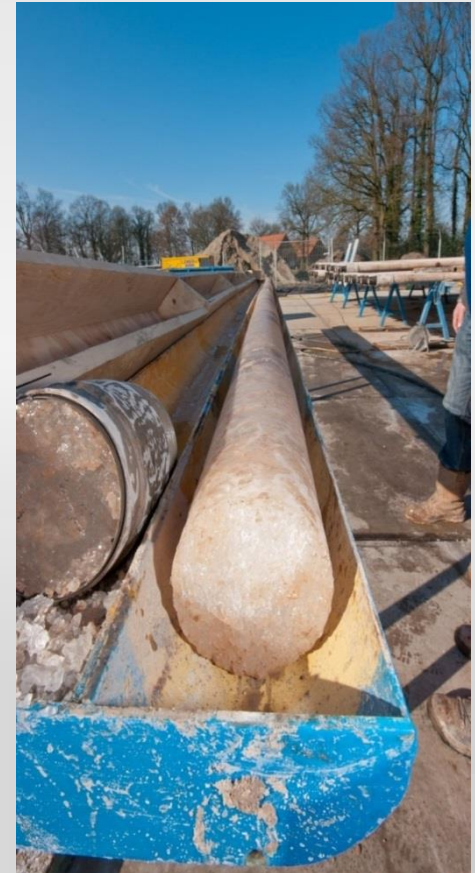


IMPLEMENTATION OF THE OSTRÓW DEPOSIT EXPLORATION LICENCE – STAGE 1



Drilling the first perforation OS1:

- agreement has been signed
- Hole OS1 Project has been developed
- Operational Plan has been prepared
- on 17 November, the drilling rig appeared on the site and drilling began



KEY EVENTS IN Q3 2014 AND SUBSEQUENT TO THE BALANCE-SHEET DATE



LICENCES

- An Appeal for the K-6-7 area mining licence was filed – 22 September 2014
- Received an exploration licence for **Orzechów deposit**– 14 November 2014

FINANCING

- **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 **PGNiG Termika S.A.**– 31 July 2014 – prolongation the agreement expiration date
- Annex to a significant agreement with **PGNiG Termika S.A.**– 25 September 2014 - prolongation the agreement expiration date

OTHER EVENTS

- Pursuant to the shareholders resolution on **distribution of net profit** for 2013 the amount of PLN **197,278,822.00 zł** was paid for a dividend (PLN **5.80 per share**) – 2 November 2014

AGENDA



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DOMESTIC DEMAND FOR THERMAL COAL...



COAL PRICES

- The average price of thermal coal in the domestic market in Q3 2014 was **PLN 252.14/tonne**, v. **PLN 253.65/tonne** in 1-3Q 2014
- The average price of coal sold to commercial power plants in 1-3Q 2014 was **PLN 221.47/tonne**

DEMAND/SUPPLY

- In Q3 2014 and 1-3Q 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

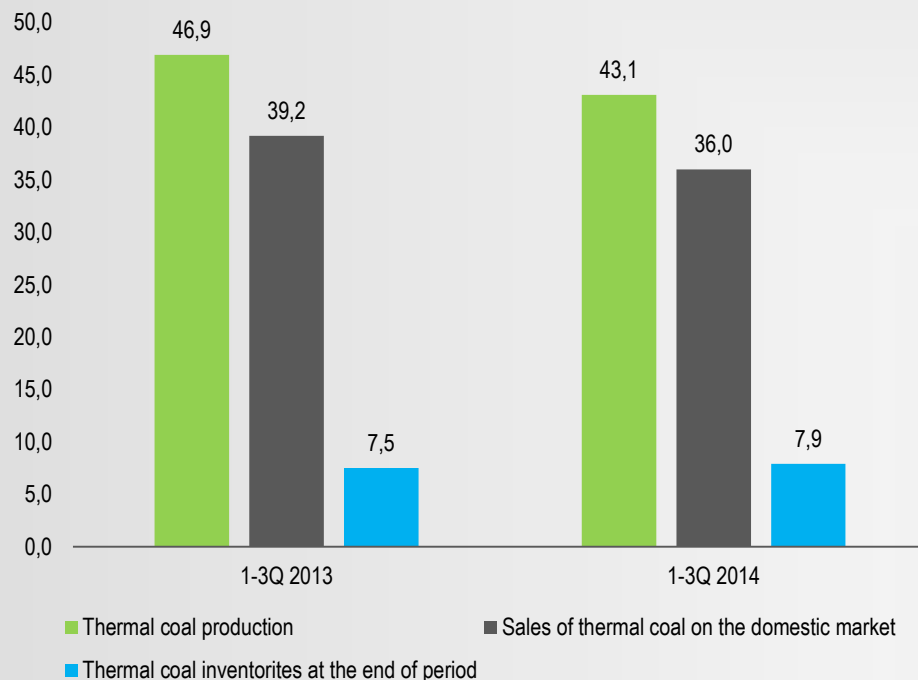
PERFORMANCE OF POLISH COMPANIES*

- Silesian mines produced a total of **12.3 million tonnes** in Q3 2014 (-10.9% on Q3 2013), and **36.5 million tonnes** in 1-3Q 2014 a decrease of **10.3% yoy**
- **Thermal coal inventories** at the mines at the end of Q3 2014 amounted **7,867.5 thousand tonnes** and was higher by nearly **499.0 thousand tonnes** or **6,8%**, as compared to Q3 2013. In 1-3Q 2014, the amount of coal stockpiled at commercial power plants has also increased
- In Q3 2014 **domestic sales of thermal coal** amounted to **10,891.6 thousand tonnes** (almost 60.8% of total sales of coal) and was down by **8.4% (1,002.6 thousand tonnes)** on Q3 2013; In 1-3Q 2014 amounted **29,191.4 thousand tonnes** as compared **33,121.4 thousand tonnes** in 1-3Q 2013 (-11,9% , -3,930.0 thousand tonnes)
- The average **cost of thermal and coking** coal in Q3 2014 was **PLN 329.87/tonne** up by **6.6%** on Q3 2013, in 1-3Q 2014 this cost was **PLN 332.12/tonne** – an increase by **5,8%** on 1-3Q 2013.

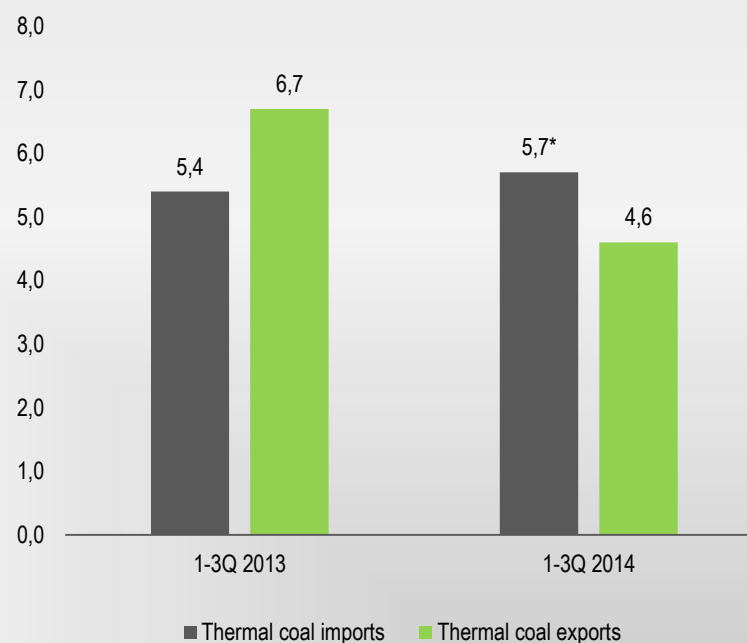
... AS A FACTOR DETERMINING LEVELS OF COAL PRODUCTION, SALES AND INVENTORIES



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



Thermal coal imports and exports (million tonnes)

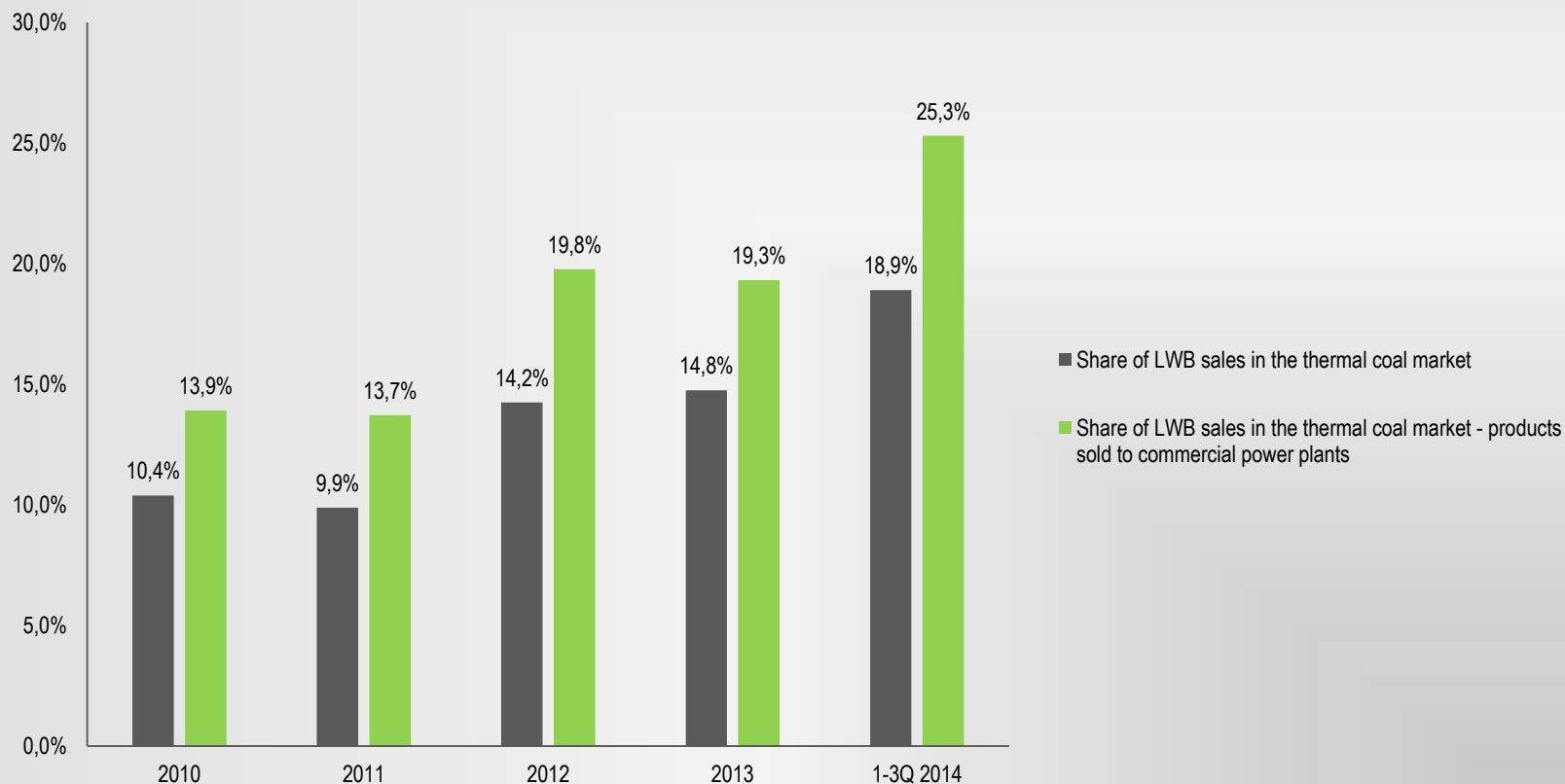


Imports for 9 months 2014 estimated by the Company based on 8 months 2014 data .

LW BOGDANKA S.A.' STRENGTHENING MARKET POSITION



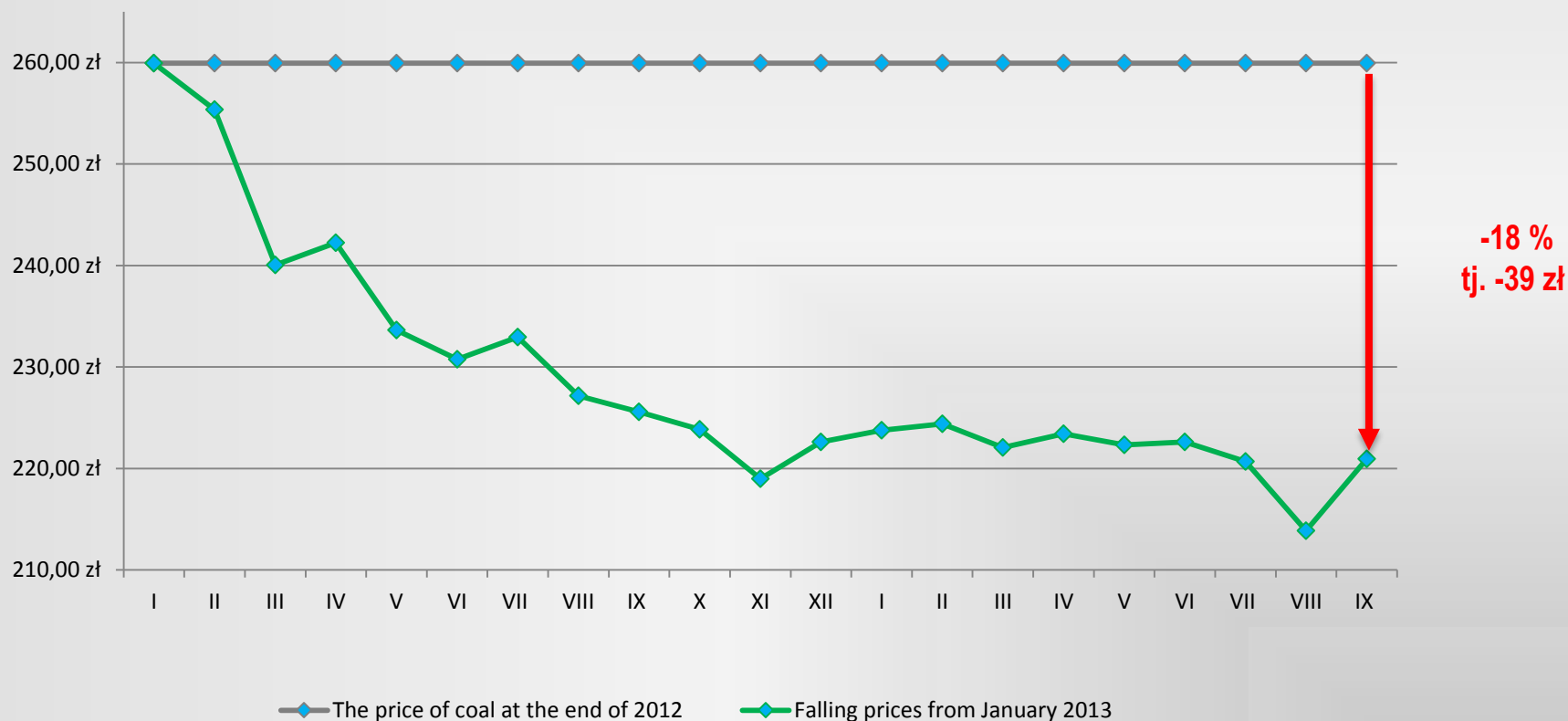
MARKET SHARE IN [2010 – 2014]



PRICES TO COMMERCIAL POWER PLANTS IN POLAND - THERMAL COAL MARKET



Prices of power fine coal sold to commercial power plants in Poland



AGENDA



1. Key operating data

2. Coal market overview

3. **Financial highlights**

4. Capex projects in 1-3Q 2014

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LW BOGDANKA GROUP RESULTS FOR Q3 2014 AND Q3 2013 FOR 1-3Q 2014 AND 1-3Q 2013

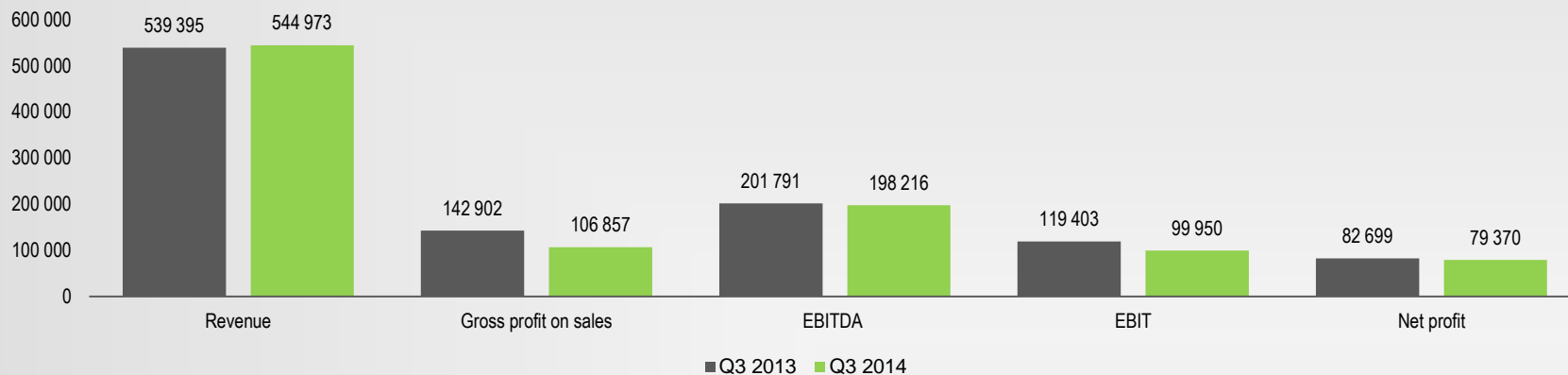


| Item | Unit | Q3 2014 | Q3 2013 | Change % (Q3 2014/ Q3 2013) | 1-3Q 2014 | 1-3Q 2013 | Change % (1-3Q 2014/ 1-3Q 2013) |
|-------------------------------------|-----------------|----------------|----------------|-----------------------------------|------------------|------------------|---------------------------------------|
| Technical and operating data | | | | | | | |
| Gross production | '000 tonnes | 3,523 | 3,140 | 12.2% | 9,957 | 9,010 | 10.5% |
| Net production | '000 tonnes | 2,377 | 2,156 | 10.3% | 6,631 | 6,238 | 6.3% |
| Coal sales | '000 tonnes | 2,495 | 2,276 | 9.6% | 6,823 | 6,085 | 12.1% |
| Inventories (end of period) | '000 tonnes | 52.3 | 171.6 | -69.5% | 52.3 | 171.6 | -69.5% |
| New workings (by length) | km | 7.8 | 7.9 | -1.3% | 24.1 | 21.2 | 13.7% |
| Coal yield | % | 67.5% | 68.7% | -1.7% | 66.6% | 69.2% | -3.8% |
| Financial data | | | | | | | |
| Revenue | PLN '000 | 544,973 | 539,395 | 1.0% | 1 490,344 | 1,418,299 | 5.1% |
| Gross profit | PLN '000 | 106,857 | 142,902 | -25.2% | 241,592 | 330,630 | -26.9% |
| EBITDA | PLN '000 | 198,216 | 201,791 | -1.8% | 502,484 | 548,341 | -8.4% |
| EBITDA margin | % | 36.4% | 37.4% | -2.7% | 33.7% | 38.7% | -12.9% |
| EBIT | PLN '000 | 99,950 | 119,403 | -16.3% | 226,608 | 307,559 | -26.3% |
| EBIT margin | % | 18.3% | 22.1% | -17.2% | 15.2% | 21.7% | -30.0% |
| Net profit | PLN '000 | 79,370 | 82,699 | -4.0% | 170,794 | 224,733 | -24.0% |

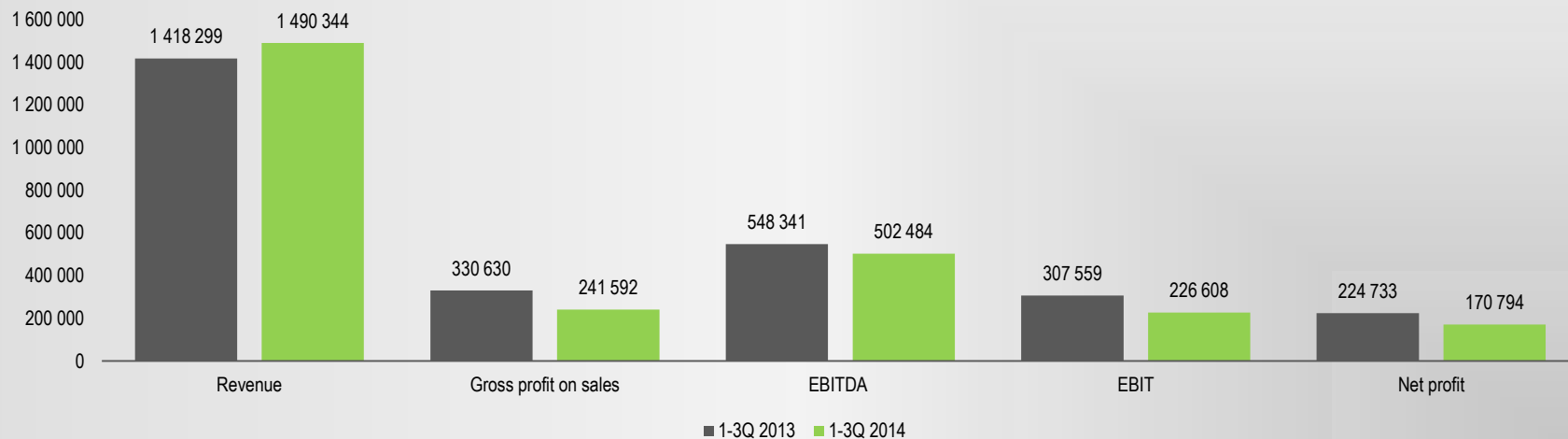
LW BOGDANKA GROUP RESULTS FOR Q3 2013 AND Q3 2014, 1-3Q 2013 AND 1-3Q 2014 – CONTD.



RESULTS FOR Q3 2013 AND Q3 2014 [PLN '000]



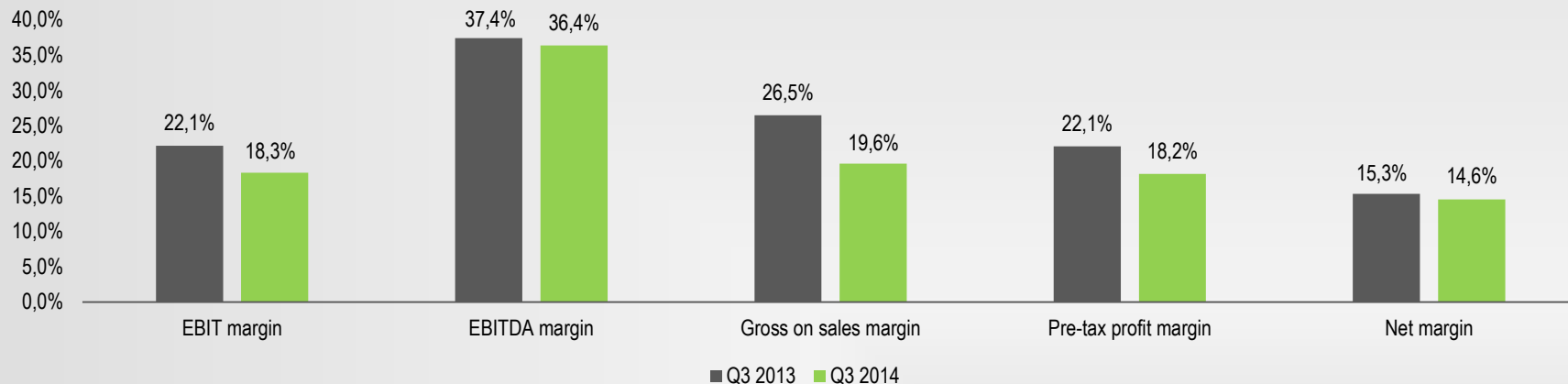
RESULTS FOR 1-3Q 2013 AND 1-3Q 2014 [PLN '000]



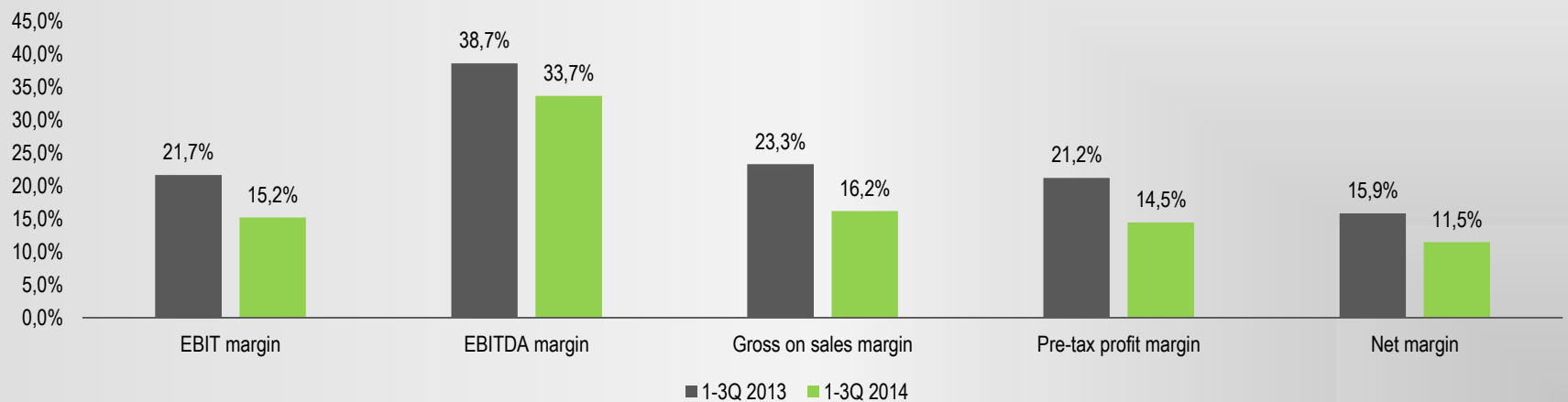
PROFITABILITY RATIOS FOR Q3 2013 AND Q3 2014, 1-3Q 2013 AND 1-3Q 2014



PROFITABILITY IN Q3 2013 AND Q3 2014



PROFITABILITY IN 1-3Q 2013 AND 1-3Q 2014



LW BOGDANKA GROUP RESULTS FOR Q3 2014 AND Q3 2013, 1-3Q 2014 AND 1-3Q 2013 – CONTD.



Revenues

Revenues for Q3 2014 increased by **1.0%** as compared to the same period in 2013 and amounted to **PLN 544,973,000**. The Group's revenues went up by almost **5.1%** in 1-3Q 2014 as compared to 1-3Q 2013 (**with PLN 1,490,344,000 in 1-3Q 2014 as compared to PLN 1,418,299,000 in 1-3Q 2013**).

Cost of products, goods and materials sold

In Q3 2014 the **costs of products, goods and materials sold grew by 12.3%** in comparison with the same period of 2013 and amounted to **PLN 402,622,000 with gross production y/y up by 12,2%**. In 1-3Q 2014 costs increased by **16.8% y/y**.

Sales and administration expenses

Total **sales and administrative expenses** for Q3 2014 amounted to **PLN 35,494,000 and were lower by 6,8%** than in the same period of 2013.
Costs of **sales and administration** amounted to **PLN 101,336,000 for 1-3Q 2014 as compared to PLN 104,915,000 in 1-3Q 2013** – this means a decrease of **3.4%**.

Gross profit on sales

Gross profit on sales in Q3 2014 **fell by 25.2%** as compared to Q3 2013 and amounted to **PLN 106,857,000**. The profit for 1-3Q 2014 decreased by **26.9%** in comparison to 1-3Q 2013.

Operating profit (EBIT)

Operating profit in Q3 2014 amounted to **PLN 99,950,000, which represents a decrease of 16.3%** in comparison to Q3 2013. **EBIT in 1-3Q 2014 was lower** compared to the same period of 2013 by **26.3%**. **EBIT margin** in Q3 2014 was **18.3%** (i.e. 3.8 p.p. less than in Q3 2013). Data for 1-3Q 2014 and 1-3Q 2013, show a **decrease in EBIT margin to 15.2%** (i.e. decrease by 6.5 p.p.).

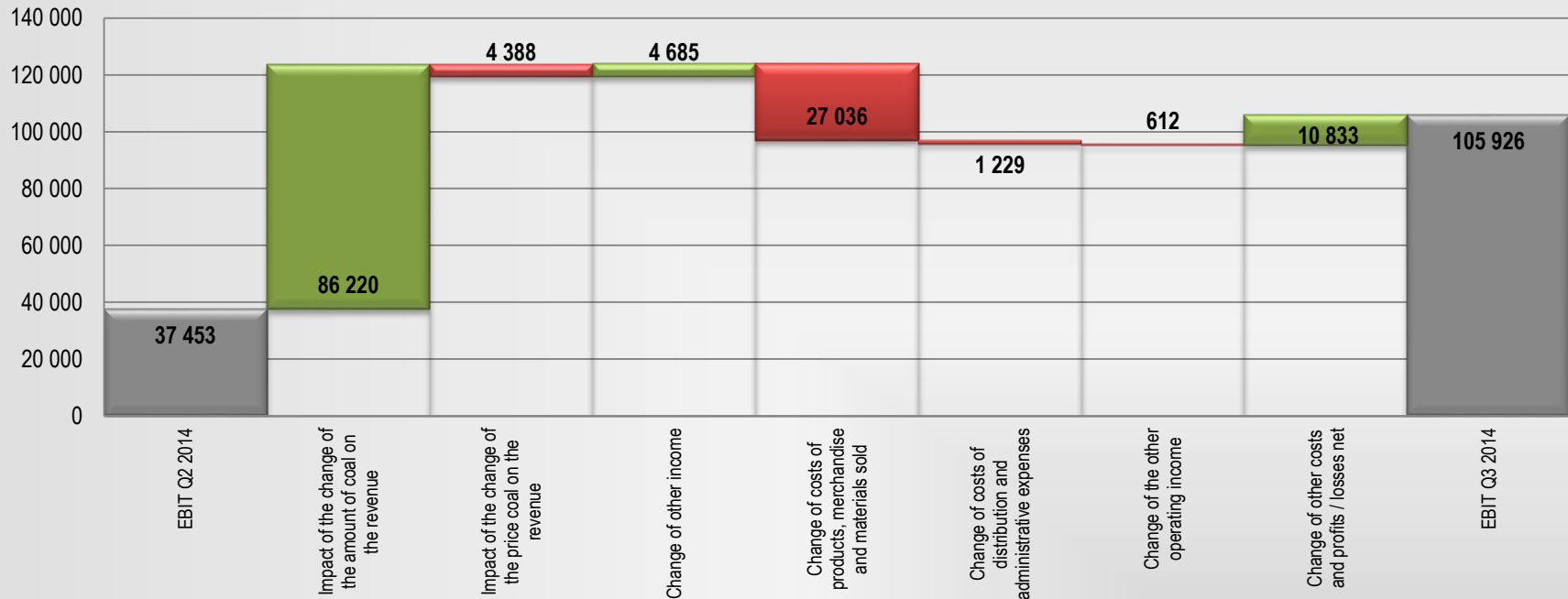
Net profit

The Group's **net profit** for Q3 2014 **was lower** than in Q3 2013 by **4.0%**. It amounted to **PLN 79,370,000 (2014) as compared to PLN 82,699,000 (2013)**. **The net profit for 1-3Q 2014** amounted to **PLN 170,794,000**, which represents a decrease by **24.0%** as compared to the same period of 2013. **The net profit for 1-3Q 2014** attributable to the Company's shareholders totals **PLN 171,435,000** as compared to **PLN 224,439,000** for 1-3Q 2013.

ANALYSIS OF CHANGE TO EBIT FOR Q3 2014 AS COMPARED TO Q2 2014



Variance analysis of EBIT at LWB– Q3 2014/Q2 2014 (PLN '000)



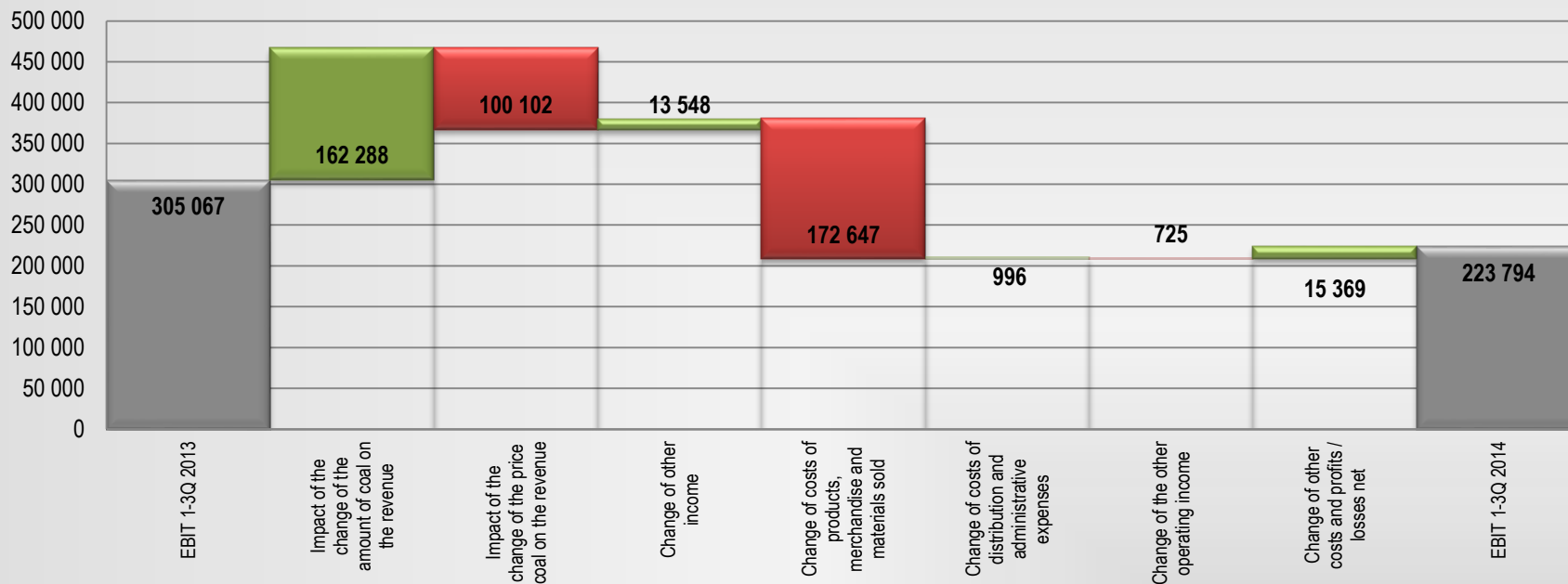
Factors affecting the change of EBIT:

- Increase in sales volume by 393 thousand tonnes (18.7%),
- Increase in yield by 2.3 p.p. - an increase of 18% of net production with an increase of 13.9% of gross production,
- Excavation of 0.7 km more galleries,
- Q2 2014 - creation of a provision for an increase in accident insurance premium (ZUS / state social security) – for approx. PLN 11.6 million.

ANALYSIS OF CHANGE TO EBIT FOR 1-3Q 2014 AS COMPARED TO 1-3Q 2013



Variance analysis of EBIT at LWB – 1-3Q 2014 / 1-3Q 2013 (PLN '000)



Factors affecting the change of EBIT:

- Increase in sales volume by 738 thousand tonnes (12.1%),
- Decrease in unit coal price,
- Expansion of mining capacity (average 4,3 walls in operation vs. 3,4 in the same period of time 2013) with limited processing capacities (start-up of MCPP in progress),
- Output lower by 2.6 p.p. - in relation to worse-than-assumed quality parameters of the deposit; created galleries – more by 2.9 km – higher amount of rock (increase by 6.3% of net production with the increased gross extraction by 10.5%),
- 2014 – creating provision for claims of the Social Insurance Authority (ZUS) regarding the accident contribution, amounting to approx. PLN 11.6 million; 2013 – impairment loss of assets by of approx. PLN 22.6 million

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



BOGDANKA S.A.'S EXPENSES BY NATURE IN Q3 2014 AND Q3 2013, 1-3Q 2014 AND 1-3Q 2013

| Item [PLN '000] | Q3 2014 | Q3 2013 | 1-3Q 2014 | 1-3Q 2013 | CHANGE [Q3 2014 / Q3 2013] | CHANGE [1-3Q 2014 / 1-3Q 2013] |
|-----------------------------------------------------|----------------|----------------|------------------|------------------|-------------------------------|-----------------------------------|
| Depreciation and amortization | 98,238 | 80,464 | 275,013 | 240,039 | 22.1% | 14.6% |
| Materials and energy | 114,578 | 139,011 | 348,304 | 380,707 | -17.6% | -8.5% |
| External services | 112,369 | 102,442 | 347,517 | 313,188 | 9.7% | 11.0% |
| Employee cost and benefits | 119,541 | 113,493 | 365,907 | 340,194 | 5.3% | 7.6% |
| Entertainment and advertising | 1,335 | 2,620 | 5,849 | 6,644 | -49.0% | -12.0% |
| Taxes and charges | 9,831 | 8,953 | 27,211 | 24,977 | 9.8% | 8.9% |
| Other expenses | 4,249 | 5,014 | 18,345 | 17,210 | -15.3% | 6.6% |
| Costs by type | 460,141 | 451,997 | 1,388,146 | 1,322,959 | 1.8% | 4.9% |
| Activities for the Company's own needs | -61,273 | -92,002 | -187,903 | -225,247 | -33.4% | -16.6% |
| Accruals and deferrals | 29,796 | 25,885 | 52,374 | 48,676 | 15.1% | 7.6% |
| Value of coal produced from excavations | -25,358 | -24,083 | -74,846 | -72,683 | 5.3% | 3.0% |
| Provisions and other presentation adjustments (IAS) | 11,300 | 10,855 | 32,502 | 30,807 | 4.1% | 5.5% |
| Total production costs | 414,606 | 372,652 | 1,210,273 | 1,104,512 | 11.3% | 9.6% |
| Change in products | 20,568 | 20,028 | 35,749 | -26,435 | 2.7% | - |
| Value of goods and materials sold | 3,496 | 2,343 | 8,684 | 7,141 | 49.2% | 21.6% |
| Own cost of production sold, including | 438,670 | 395,023 | 1,254,706 | 1,085,218 | 11.0% | 15.6% |
| Costs of products, goods and materials sold | 403,521 | 357,423 | 1,152,419 | 981,935 | 12.9% | 17.4% |
| Selling costs | 9,454 | 12,558 | 29,777 | 33,882 | -24.7% | -12.1% |
| Administrative costs | 25,695 | 25,042 | 72,510 | 69,401 | 2.6% | 4.5% |

LW BOGDANKA S.A.'S EXPENSES BY NATURE IN 1-3Q 2014 – CONTD.

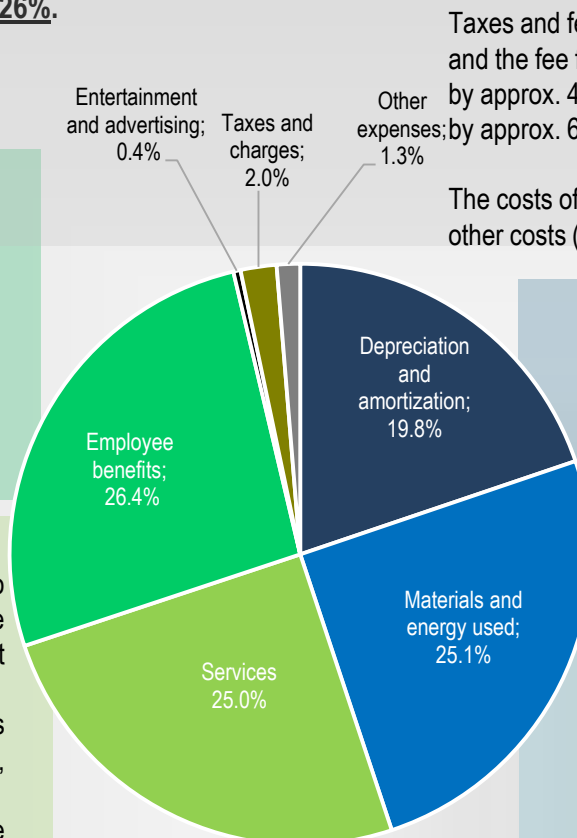


In 1-3Q 2014 the total expenses by type of current operations amounted to PLN 1,388,146,000 and were higher than in 1-3Q 2013 by 4,9%, i.e. or PLN 65,187,000, with an increase in gross production by 10.5%, an increase in the amount of preparatory works by 13.7% and an increase average number of walls in operation by 26%.

The value of employee benefits grew by PLN 25,713,000 - average employment increased in comparison to 1-3Q 2013 by approx. 6.7% with a slightly lower average wages (down 0.4%). Further, the costs of employee benefits include value of the option programme relative to 2014 covering the amount of PLN 5.91 million; in the some period of 2013 the option programme was not in effect yet.

External services:

- the value of drilling and mining services increased due to drilling and reconstruction of workings by approx. 4%, with the increased works performed, by approx. 15% (reduction of unit price per running meter)
- the value of services settled by LWB on a man-shift basis increased by approx. 19% - the scope of outsourced works, commissioned to external entities including subsidiaries
- the value of transport services increased by nearly 43%, while the amount of coal located outside the area of the Mine increased by nearly 60% (reduction of unit price per Mg)
- Increase of coal volumes transported by LWB for customers (costs are re-invoiced – neutral impact on EBIT).



Taxes and fees increased due to the increase of the property tax and the fee for deposit extraction (increase in non-current assets by approx. 4%) and the fee for deposit use (increase in production by approx. 6%).

The costs of representation and advertisement decreased, whereas other costs (in particular the item "Property insurance") increased.

Depreciation and amortisation increased year on year by PLN 34,974,000 approx. 16% – the value of straight-line depreciation/amortisation increased - the value of property, plant and equipment put for use increased, as well as activity depreciation by approx. 13%, calculated in reference to the value of galleries closed (increase of gross production by 10.5%)

The total value of materials and energy used dropped by 8.51% - the cost of energy consumption (the total of electricity, heat, water and other utilities) dropped by 7.12% together with a drop in the value of materials used (by 8.85%). The decrease in electricity used is a consequence of a fall (by approx. 14%) of purchase price (with the increase in the nominal use of electricity, which was proportional to the change in gross extraction). The decrease in the costs of materials used is mainly a result of the drop in purchase price.

LW BOGDANKA GROUP'S BALANCE-SHEET PROVISIONS



GROUP'S ON-BALANCE-SHEET PROVISIONS AT THE END OF Q3 2014, Q3 2013 AND FY 2013

| Item [PLN '000] | As at 30.09.2014 | As at 30.09.2013 | As at 31.12.2013 | Change 30.09.2014/ 30.09.2013 [%] | Change 30.09.2014/ 31.12.2013 [%] |
|----------------------------------------------------------|---------------------|---------------------|---------------------|-----------------------------------------|-----------------------------------------|
| Employee provisions | 236,641 | 230,353 | 200,030 | 2.7% | 18.3% |
| Liabilities under local property tax (incl. workings) | 34,044 | 12,759 | 27,846 | 166.8% | 22.3% |
| Mine decommissioning provision | 116,008 | 98,186 | 85,278 | 18.2% | 36.0% |
| Mining damage | 11,587 | 9,039 | 12,933 | 28.2% | -10.4% |
| Accident insurance premium (ZUS) | 12,414 | 0 | 0 | - | - |
| Other | 25,041 | 23,575 | 24,058 | 6.2% | 4.1% |
| TOTAL | 435,735 | 373,912 | 350,145 | 16.5% | 24.4% |

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



CHANGE OF GROUP'S PROVISIONS IN Q3 2014 AND Q3 2013, 1-3Q 2014 AND 1-3Q 2013

| Item [PLN '000] | Change in Q3 2014 | Change in Q3 2013 | Change In 1-3Q 2014 | Change In 1-3Q 2013 | Change [%] Q3 2014/Q3 2013 | Change [%] 1-3Q 2014 / 1-3Q 2013 |
|----------------------------------------------------------|----------------------|----------------------|------------------------|------------------------|-------------------------------|-------------------------------------|
| Employee provisions | 22,626 | 10,612 | 36,611 | 37,685 | 113.2% | -2.8% |
| Liabilities under local property tax (incl. workings) | 1,463 | 1,086 | 6,198 | 3,257 | 34.7% | 90.3% |
| Mine decommissioning provision | 14,760 | 1,831 | 30,730 | 8,325 | 706.1% | 269.1% |
| Mining damage | -643 | -2,172 | -1,346 | -4,431 | -70.4% | -69.6% |
| Accident insurance premium (ZUS) | 1,974 | 0 | 12,414 | 0 | - | - |
| Other | 486 | 717 | 983 | 549 | -32.2% | 79.1% |
| TOTAL | 40,666 | 12,074 | 85,590 | 45,385 | 236.8% | 88.6% |

AGENDA



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

LW BOGDANKA'S CAPEX IN 1-3Q 2014 AND BUDGET FOR 2014



| Item [PLN '000] | Actual capex in 1-3Q 2014 | Budget for 2014 |
|----------------------------------------------------------------------------------------------------|------------------------------|-----------------|
| DEVELOPMENT CAPEX | 165,641 | 385,781 |
| Extension of the Mechanical Coal Processing Plant, central air conditioning system, other projects | 66,576 | 62,951 |
| Other development projects, including: | 99,065 | 322,830 |
| <i>purchase and assembly of longwall systems*</i> | 58,187 | 247,259 |
| <i>purchase of machinery, equipment and ready-to-use assets</i> | 40,878 | 75,571 |
| OPERATING CAPEX | 225,002 | 299,767 |
| New workings and modernisation of existing workings | 191,184 | 238,651 |
| Modernisation and repair of machinery and equipment | 4,054 | 13,430 |
| Environmental protection | 6,092 | 11,610 |
| Other operating investments | 23,672 | 36,076 |
| TOTAL CAPEX OF LW BOGDANKA | 390,643 | 685,548 |
| Łęczyńska Energetyka | 12,135 | 22,705 |
| RG Bogdanka | 276 | - |
| MR Bogdanka | 4 | - |
| EkoTrans Bogdanka | - | - |
| TOTAL CAPEX OF LW BOGDANKA GROUP | 403,058 | 708,253 |

*the item includes a prepayment for construction in progress in the amount of PLN 49,572,000 disclosed in the consolidated financial statements, in current assets as trade and other receivables.

SUMMARY & CONCLUSIONS



The Company remains under a strong price pressure from the energy industry, which results from higher than average coal inventories in the Silesian mines and power plants, as well as the planned restructuring processes.



Final acceptance and test runs are in progress at the Mechanical Coal Processing Plant. The installation is ready for the production of commercial coal. Currently, as part of the test run, the production is being increased up to the level of full nominal production capacity.



The difficult mining and geological conditions experienced during the third and fourth quarter of 2014 have a material impact on the commercial coal yield. It is expected that the net production in the full year 2014 will amount to 9.0 million tonnes.



The Company regularly increases its share in the market of energy coal for commercial power industry.



The process for the obtaining of new licences is in progress. In the third quarter of 2014, the Company obtained an exploration licence for the “Orzechów” area and applied for reconsideration of the case concerning granting of a licence for K-6, K-7.



In connection with a material change in the market situation, since the date of publishing the Strategy for 2013-2020, the Management Board has commenced to work on updating the assumptions for the Strategy. The update of the Strategy will be announced along with the publication of the results for 2014.

THANK YOU



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AGENDA

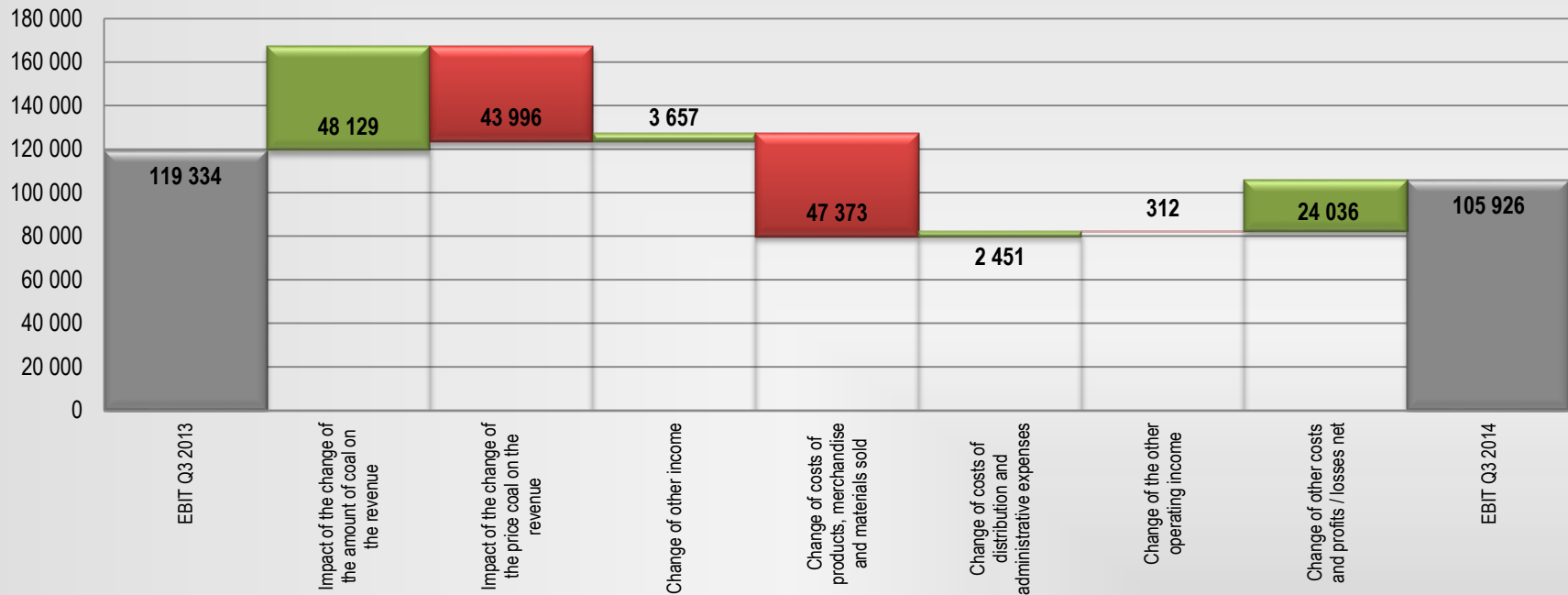


1. Key operating data
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- 5. Appendices – Financial information**

ANALYSIS OF CHANGE TO EBIT FOR Q3 2014 AS COMPARED TO Q3 2013



Variance analysis of EBIT at LWB - Q3 2014/Q3 2013 (PLN '000)



Factors affecting the change of EBIT:

- Increase in sales volume by 219 thousand tonnes (9.7%),
- Decrease in unit coal price,
- Expansion of mining capacity (4 walls in permanent operation) with limited processing capacities (start-up of MCPP in progress),
- Output lower by 1.2 p.p. – in relation to worse-than-assumed quality parameters of the deposit; higher amount of rock (increase by 10.3% of net production with the increased gross extraction by 12.2%),
- 2013 – impairment loss of property of approx. PLN 22.6 million.



CHANGE OF LW BOGDANKA GROUP'S PROVISIONS AND THEIR IMPACT ON PROFIT/LOSS

CHANGE IN PROVISIONS AT THE LW BOGDANKA GROUP IN Q3 2014 AND Q3 2013, 1-3Q 2014 AND 1-3Q 2013 AND THEIR IMPACT ON FINANCIAL PROFIT/LOSS OF THE ANALYSED PERIOD

| Item [PLN '000] | Change in Q3 2014 | Impact on profit / loss for Q3 2014 | Change in Q3 2013 | Impact on profit / loss for Q3 2013 | Change in 1-3Q 2014 | Impact on profit / loss for 1-3Q 2014 | Change in 1-3Q 2013 | Impact on profit / loss for 1-3Q 2013 |
|-------------------------------------------------------|-------------------|-------------------------------------|-------------------|-------------------------------------|---------------------|---------------------------------------|---------------------|---------------------------------------|
| Employee provisions | 22,626 | 15,754 | 10,612 | 12,057 | 36,611 | 45,519 | 37,685 | 45,682 |
| Liabilities under local property tax (incl. workings) | 1,463 | 1,463 | 1,086 | 1,086 | 6,198 | 6,198 | 3,257 | 3,257 |
| Mine decommissioning provision | 14,760 | 1,240 | 1,831 | 0 | 30,730 | 6,415 | 8,325 | 3,852 |
| Mining damage | -643 | 0 | -2,172 | 0 | -1,346 | 0 | -4,431 | 0 |
| Accident insurance premium (ZUS) | 1,974 | 1,974 | - | - | 12,414 | 12,414 | - | - |
| Other | 486 | 511 | 717 | 1,878 | 983 | 1,707 | 549 | 1,717 |
| TOTAL | 40,666 | 20,942 | 12,074 | 15,021 | 85,590 | 72,253 | 45,385 | 54,508 |

ANALYSIS OF THE CONSOLIDATED INCOME STATEMENT OF LW BOGDANKA GROUP



| Item [PLN '000] | Q3 2014 | Q3 2013 | Change (Q3 2014/ Q3 2013) | 3Qs 2014 | 3Qs 2013 | Change (3Qs 2014/ 3Qs 2013) |
|-------------------------------------------------------------------------------------------------|---------|---------|---------------------------------|-----------|-----------|-----------------------------------|
| Revenue | 544,973 | 539,395 | 1.0% | 1 490 344 | 1,418,299 | 5.1% |
| Cost of products, merchandise and materials sold, distribution cost, administrative expenses | 438,116 | 396,493 | 10.5% | 1,248,752 | 1,087,669 | 14.8% |
| Gross profit | 106,857 | 142,902 | -25.2% | 241,592 | 330,630 | -26.9% |
| <i>Gross margin</i> | 19.6% | 26.5% | -26.0% | 16.2% | 23.3% | -30.5% |
| Other income | 274 | 384 | -28.6% | 1,102 | 2,292 | -51.9% |
| Other expenses | 299 | 383 | -21.9% | 1,298 | 925 | 40.3% |
| Net operating profit/loss | 106,832 | 142,903 | -25.2% | 241,396 | 331,997 | -27.3% |
| Other net gains/losses | -6,882 | -23,500 | -70.7% | -14,788 | -24,438 | -39.5% |
| Operating profit (EBIT) | 99,950 | 119,403 | -16.3% | 226,608 | 307,559 | -26.3% |
| <i>EBIT margin</i> | 18.3% | 22.1% | -17.2% | 15.2% | 21.7% | -30.0% |
| EBITDA | 198,216 | 201,791 | -1.8% | 502,484 | 548,341 | -8.4% |
| <i>EBITDA margin</i> | 36.4% | 37.4% | -2.7% | 33.7% | 38.7% | -12.9% |
| Finance income | 2,328 | 2,535 | -8.2% | 6,929 | 5,439 | 27.4% |
| Finance costs | 3,231 | 2,944 | 9.7% | 17,694 | 12,029 | 47.1% |
| Profit before tax | 99,047 | 118,994 | -16.8% | 215,843 | 300,969 | -28.3% |
| Pre-tax profit margin | 18.2% | 22.1% | -17.6% | 14.5% | 21.2% | -31.6% |
| Income tax | 19,677 | 36,295 | -45.8% | 45,049 | 76,236 | -40.9% |
| Net profit for the reporting period | 79,370 | 82,699 | -4.0% | 170,794 | 224,733 | -24.0% |
| <i>Net margin</i> | 14.6% | 15.3% | -4.6% | 11.5% | 15.8% | -27.2% |
| - attributable to owners of the Company | 80,218 | 82,694 | -3.0% | 171,435 | 224,439 | -23.6% |

STATEMENT OF FINANCIAL POSITION OF LW BOGDANKA GROUP



| Item [PLN '000] | 30.09.2014 | 31.12.2013 |
|--------------------------------|------------------|------------------|
| Non-current assets, including: | 3,360,016 | 3,274,004 |
| Cash and cash equivalents | 79,143 | 77,912 |
| Current assets, including: | 853,903 | 570,126 |
| Cash and cash equivalents | 426,996 | 212,004 |
| Total assets | 4,213,919 | 3,844,130 |
| Current liabilities | 662,374 | 808,968 |
| Non-current liabilities | 1,126,460 | 579,631 |
| Total liabilities | 1,788,834 | 1,388,599 |
| Equity | 2,425,085 | 2,455,531 |
| Current borrowings | - | 421,000 |

CASH FLOWS OF LW BOGDANKA GROUP



| Item [PLN '000] | Q3 2014 | Q3 2013 |
|------------------------------------------------------------------------------------------|-----------------|-----------------|
| Net cash flows from (used in) operating activities | 566,946 | 562,998 |
| Cash inflow from operating activities | 597,526 | 600,151 |
| Interest received | 2,049 | -184 |
| Income tax paid | -32,629 | -36,969 |
| Net cash flows from (used in) investing activities | -428,294 | -448,209 |
| Acquisition of property, plant and equipment | -418,209 | -434,479 |
| Interest paid regarding investing activity | -10,729 | -12,103 |
| Acquisition of intangible assets | -2,006 | -2,136 |
| Inflow from the sale of property, plant and equipment | 61 | 207 |
| Interest received | 3,820 | 2,461 |
| Outflow on account of funds being deposited in the bank account of the Mine Closure Fund | -1,231 | -2,159 |
| Net cash from (used in) financing activities | 76,340 | -34,830 |
| Loans and borrowings received | 2,995 | - |
| Inflow from issue of bonds | 500,000 | 150,000 |
| Repayments of loans and borrowings | -421,000 | -15,000 |
| Monies transferred to the Polish NDS towards dividend payment | - | -169,830 |
| Interest and commissions paid on loans and borrowings | -5,355 | - |
| Dividends paid to the Company's shareholders | -311 | - |
| Other net cash flow from (used in) financing activities | 11 | - |
| Net increase in cash and cash equivalents | 214,992 | 79,959 |
| Cash and cash equivalents at beginning of the period | 212,004 | 120,551 |
| Cash and cash equivalents at end of the period | 426,996 | 200,510 |

SALES STRUCTURE AT LW BOGDANKA GROUP IN Q3 2014 AND Q3 2013



| Item [PLN '000] | Q3 2014 | Share [%] | Q3 2013 | Share [%] |
|------------------------------------|----------------|---------------|----------------|---------------|
| Coal sales | 520,855 | 95.6% | 518,030 | 96.0% |
| Ceramics sales | 801 | 0.1% | 1,902 | 0.4% |
| Other activities | 19,769 | 3.6% | 17,119 | 3.2% |
| Sales of merchandise and materials | 3,548 | 0.7% | 2,344 | 0.4% |
| Total revenue | 544,973 | 100.0% | 539,395 | 100.0% |

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LUBELSKI WĘGIEL
„BOGDANKA”
SPÓŁKA AKCYJNA

THANK YOU FOR YOUR ATTENTION

GK LW BOGDANKA



Warsaw 06.11.2014