



LUBELSKI WĘGIEL
„BOGDANKA”
SPÓŁKA AKCYJNA

PRESENTATION AND RESULTS FOR



Q4 2014



FY 2014

GK LW BOGDANKA





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Chief Financial Officer



Waldemar Bernaciak

Vice-President of the
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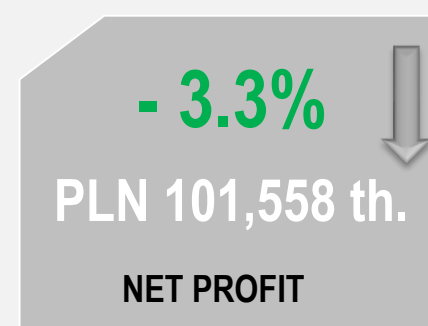
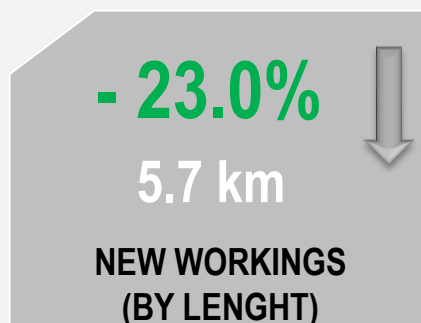
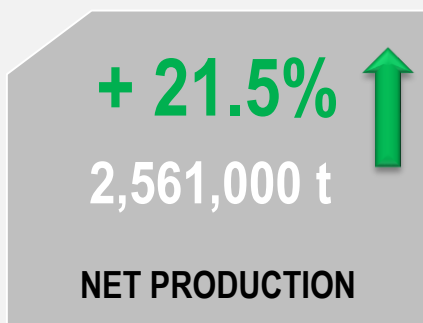
Krzysztof Szlaga

Vice-President of the
Management Board,
Procurement and Investments

LW BOGDANKA GROUP RESULTS IN Q4 2014 AND IN Q4 2013



LW BOGDANKA GROUP RESULTS IN Q4 2014 VS. Q4 2013



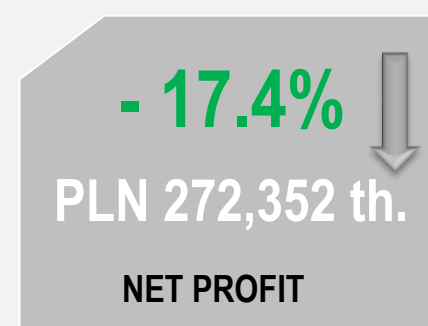
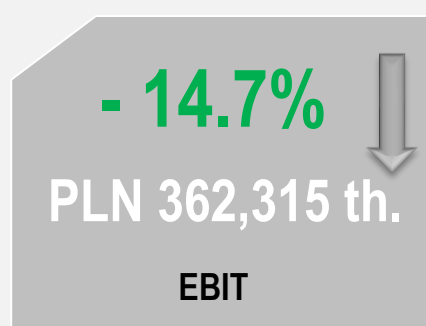
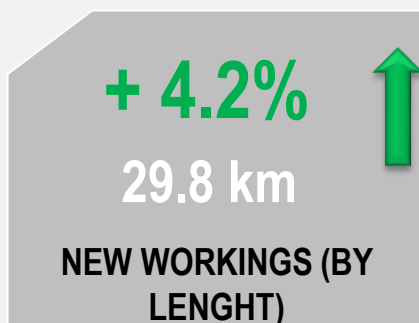
■ Change [%] Q4 2014/Q4 2013

□ Results in Q4 2014

LW BOGDANKA GROUP RESULTS FOR FY 2014 AND FOR FY 2013



LW BOGDANKA GROUP RESULTS FOR FY 2014 VS. FOR FY 2013



■ Change [%] FY 2014/FY 2013

□ Results in FY 2014

AGENDA



- 1.** Key operating data
2. Financial highlights
3. Situation on the coal market
4. Strategy's update
5. Assumptions for 2015
6. Appendices – Financial information

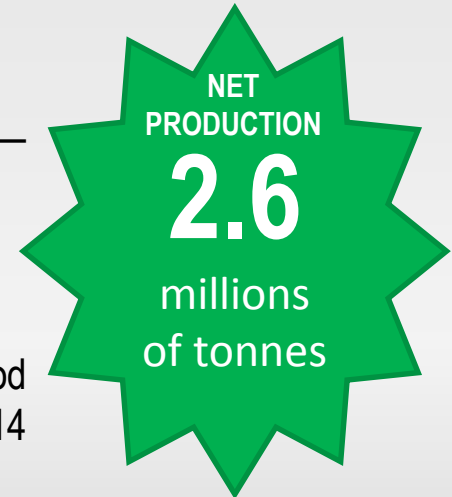
RECORD PRODUCTION IN 4th QUARTER 2014



In the 4th quarter of 2014, production of commercial coal is at the record level of 2.6 million tonnes, 21.5% (0.5 million tonnes) increase in the same period a year earlier (2.1 million tonnes).

High production in the 4th quarter was achieved, among other things, thanks to:

- the completion of construction of Mechanical Coal Processing Plant [MCCP]— doubling of the nominal capacity on the “wet” line to 2,400 tonnes/h,
- conducting simultaneous extraction from 4.4 faces on average (4 — shearer, 2 — plough)
- extraction from wall 3/VI/385 (since 11/2014 r.) in the Nadrybie Field — good geological conditions allowed for an improvement in yield in December 2014 and achievement of the highest level of yield for the whole year — 73%.



Net daily production in December was **37,600 tonnes**.

The results achieved in Q4 2014 show LWB's production capacity.

Extraction capacity of MCCP	It was	It is
Theoretical operation time	22 h	22 h
Production capacity	1,200 t/	2,400 t/a day
Production capacity	26,400 t/a day	52,800 t/a day

PRODUCTION AND SALES OF COMMERCIAL-GRADE COAL AT LW BOGDANKA S.A. IN Q4 2014 AND FY 2014



Gross production

- **3,840 thousand tonnes** in Q4 2014 (an increase of **21.0%** y/y)
- **13,798 thousand tonnes** in FY 2014 (compared to FY 2013, an increase of **13.2%**)
- Mining in FY 2014 carried out on 4.4 walls on average, compared to 3.6 in the same period of 2013.

Net production

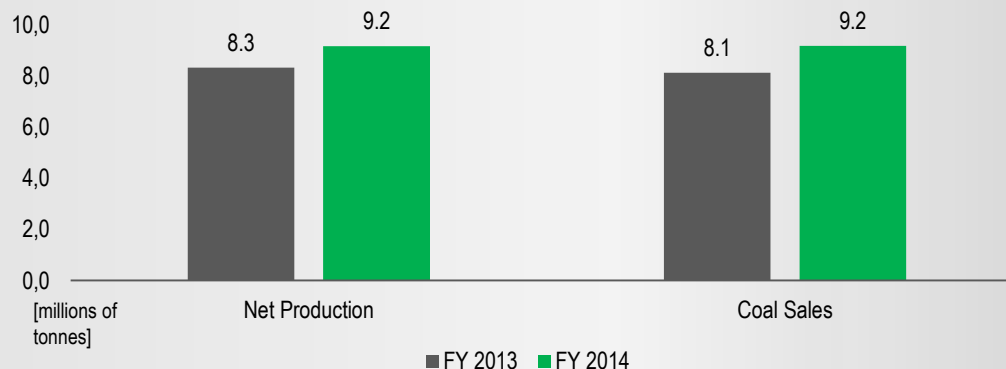
- **2,561 thousand tonnes** in Q4 2014 (an increase of **21.5%** y/y)
 - **9,192 thousand tonnes** in FY 2014 (compared to FY 2013, an increase of **10.1%**)
 - High production in Q4 was achieved to the launching in September of that year of a new part of the Mechanical Coal Processing Plant.
- *the value given does not take into account the inventory surplus of 61,000 tonnes that arose during the fiscal year

New galleries

- Work is continuously performed to **open up new coal seams**: in Q4 2014, **5.7 km** of galleries were developed, compared to **7.4 km** in Q4 2013 (a decrease of **23.0%**); in FY 2014, **29.8 km** of galleries were developed compared to **28.6 km** in FY 2013 (a year-to-year increase of **1.2 km, 4.2%**)

Coal sales

- In Q4, there was an increase in coal sales – **2,340 thousand tonnes** of coal, that is **13.5%** (**278 thousand tonnes**) more than in Q4 2013
- In FY 2014, the sale of coal reached **9,163 thousand tonnes** compared to **8,147 thousand tonnes** in FY 2013, an increase of **12.5%** (**1,016 thousand tonnes**)

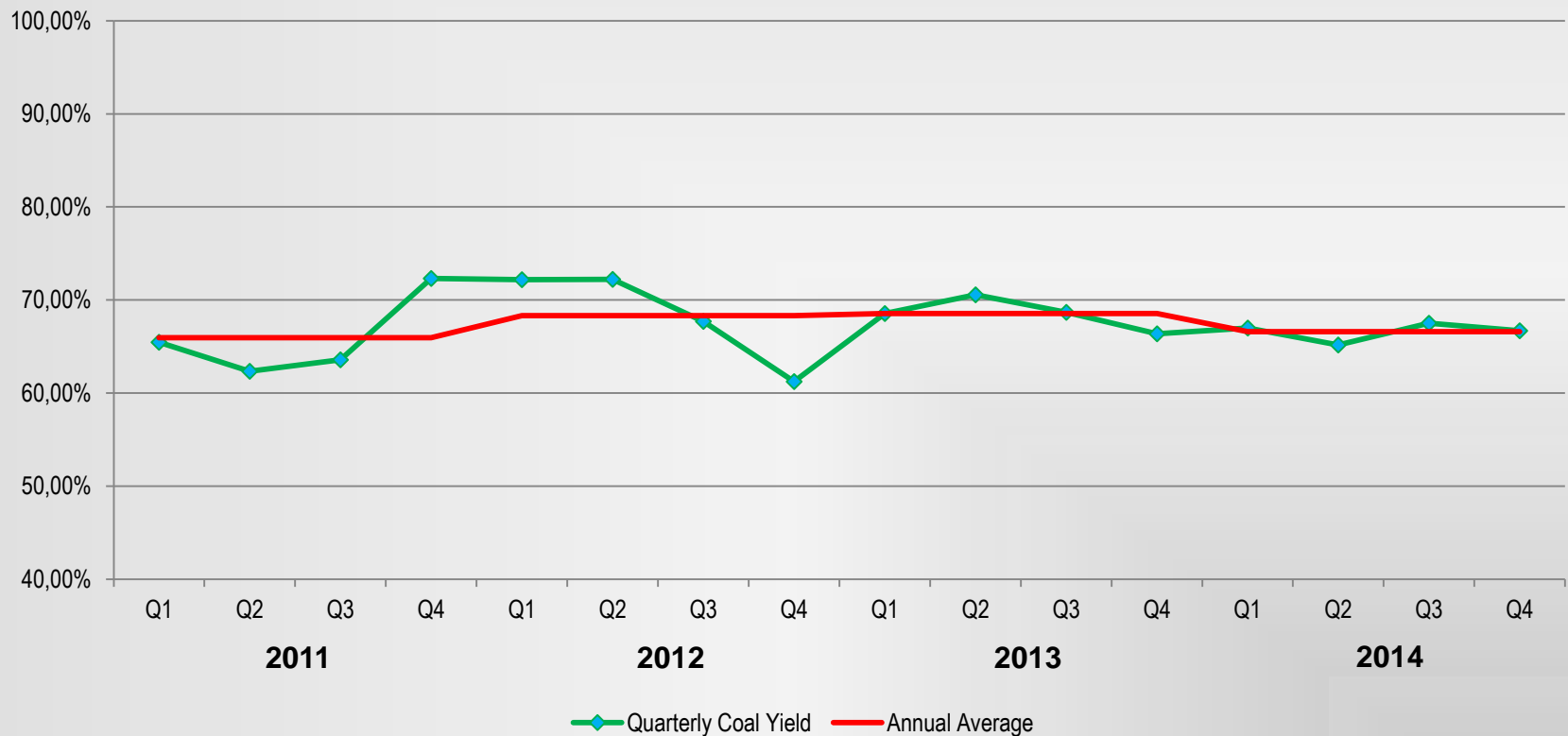




COAL YIELD AT LW BOGDANKA S.A.

✓ After a difficult second quarter, yield returned to the historical average level of about 67%

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



KEY EVENTS IN Q4 2014 AND SUBSEQUENT TO THE BALANCE-SHEET DATE



LICENSES

- Licenses were obtained for exploration of the **Orzechów** deposit — 14 October 2014.
- Filing of a complaint with the Regional Administrative Court in Warsaw regarding the decision of the Minister of the Environment to refuse to grant a license for the **K-6, K-7** deposit.
- Completion of drilling of first appraisal hole in the **Ostrów** area — 12 February 2015.

EVENTS

TRADE AGREEMENTS

- Conclusion of an annex to a significant agreement with **PGNiG Termika S.A.** — 14 November 2014 — agreement concerns delivery conditions for 2015
- Conclusion of an annex to a significant agreement with Grupą Azoty Zakłady Azotowe „Puławy” S.A. — 17 December 2014 — agreement concerns delivery conditions for 2015
- Conclusion of an annex to a significant agreement with **GDF Suez Energia Polska S.A.** — 17 December 2014 — extension of the agreement's duration
- Conclusion of an annex to a significant agreement with **ENERGA Elektrownie Ostrołęka S.A.** — 30 December 2014 — agreement concerning the delivery conditions for 2015.

OTHER EVENTS

- In accordance with the resolution on the **dividend distribution of net profit** for 2013, dividends of **PLN 197,278,822.00** were paid at a rate of **PLN 5.80 per share** — 2 October 2014.
- **Withdrawal from planned investment** — “Modernization and expansion of the heating plant in Bogdanka into a combined heat and power generating plant” — 15 October 2014.

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LW BOGDANKA GROUP RESULTS FOR Q4 2014 AND Q4 2013 FOR FY 2014 AND FY 2013

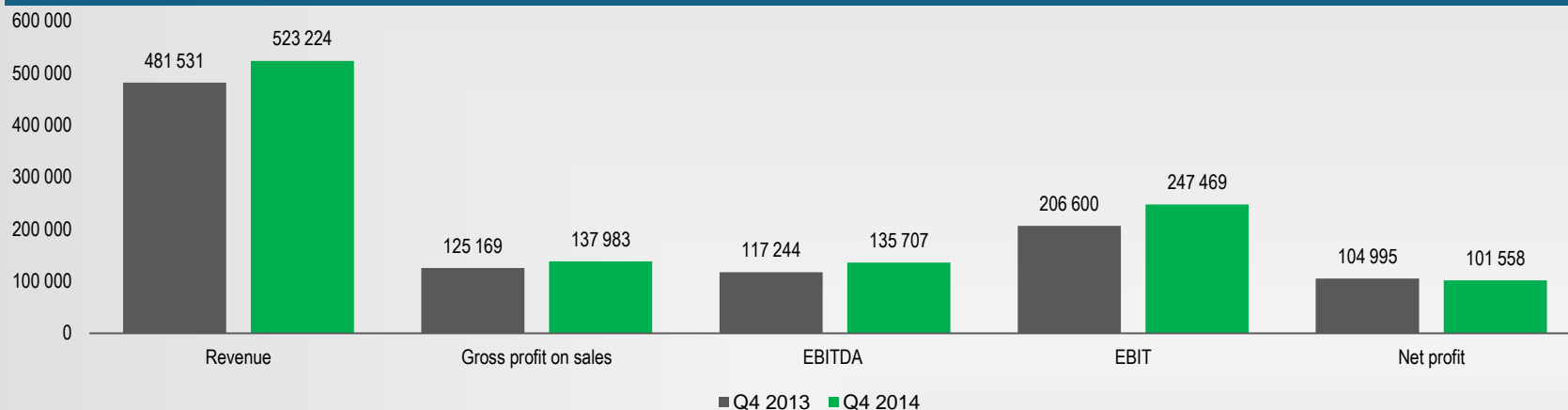


Item	Unit	Q4 2014	Q4 2013	Change % (Q4 2014/ Q4 2013)	FY 2014	FY 2013	Change % (FY 2014/ FY 2013)
Technical and operating data							
Gross production	'000 tonnes	3,840	3,174	21.0%	13,798	12,185	13.2%
Net production	'000 tonnes	2,561	2,107	21.5%	9,192	8,345	10.1%
Coal sales	'000 tonnes	2,340	2,062	13.5%	9,163	8,147	12.5%
Inventories (end of period)	'000 tonnes	306	216	41.7%	306	216	41.7%
New workings (by length)	km	5.7	7.4	-23.0%	29.8	28.6	4.2%
Coal yield	%	66.7%	66.4%	0.5%	66.6%	68.5%	-2.8%
Financial data							
Revenue	PLN '000	523,224	481,531	8.7%	2,013,568	1,899,830	6.0%
Gross profit	PLN '000	137,983	125,169	10.2%	379,575	455,799	-16.7%
EBITDA	PLN '000	247,469	206,600	19.8%	749,953	754,941	-0.7%
EBITDA margin	%	47.3%	42.9%	10.3%	37.2%	39.7%	-6.3%
EBIT	PLN '000	135,707	117,244	15.7%	362,315	424,803	-14.7%
EBIT margin	%	25.9%	24.4%	6.1%	18.0%	22.4%	-19.6%
Net profit	PLN '000	101,558	104,995	-3.3%	272,352	329,728	-17.4%

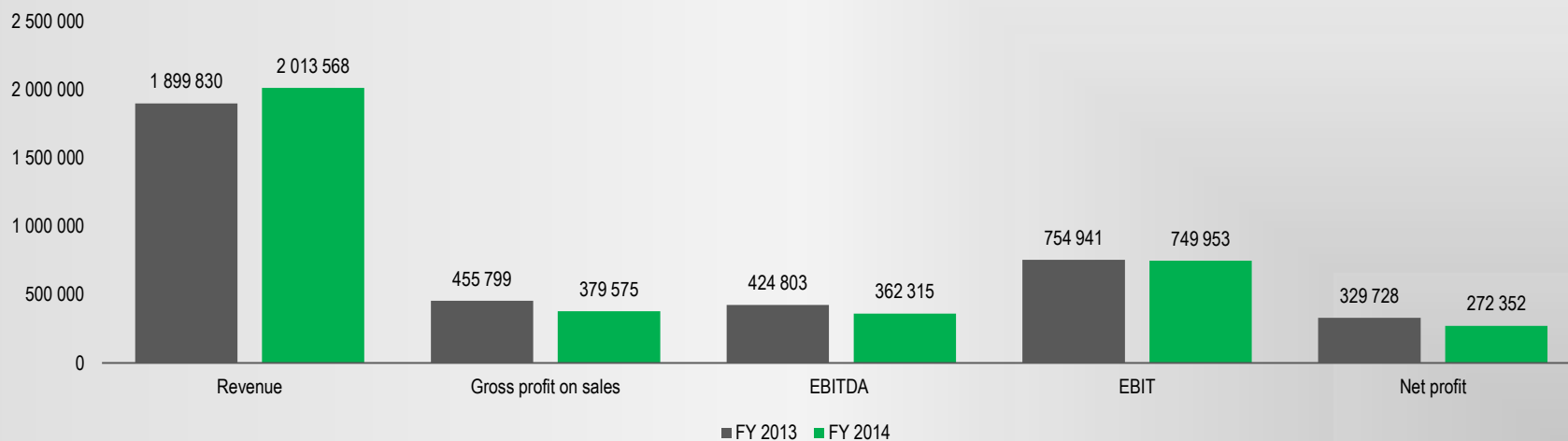
LW BOGDANKA GROUP RESULTS IN Q4 2013 AND Q4 2014, FOR FY 2013 AND FY 2014 – CONTD.



RESULTS IN Q4 2013 AND Q4 2014 ['000 zł]



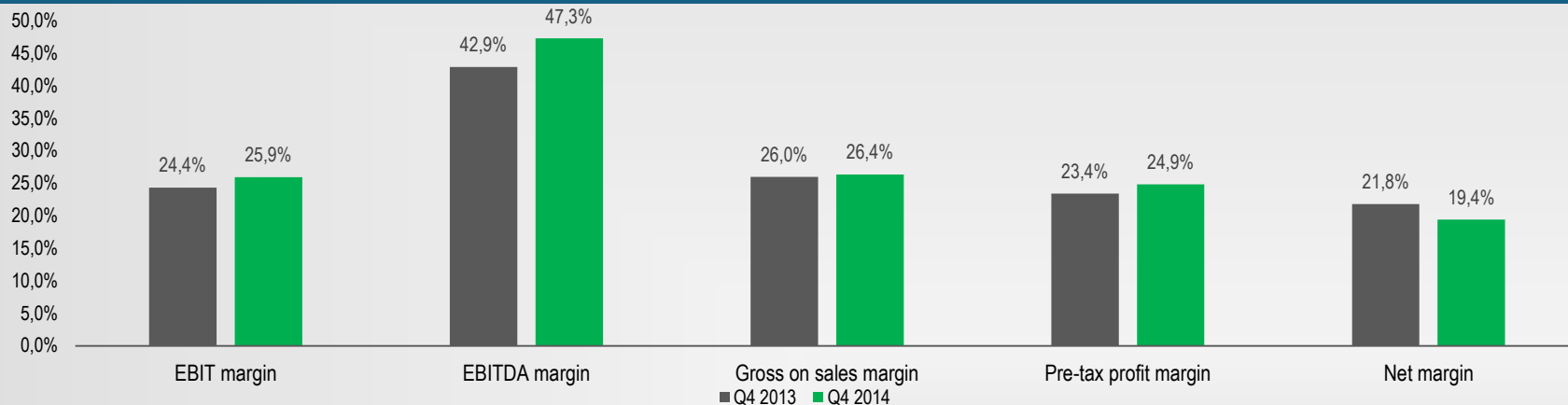
RESULTS FOR FY 2013 AND FY 2014 ['000 zł]



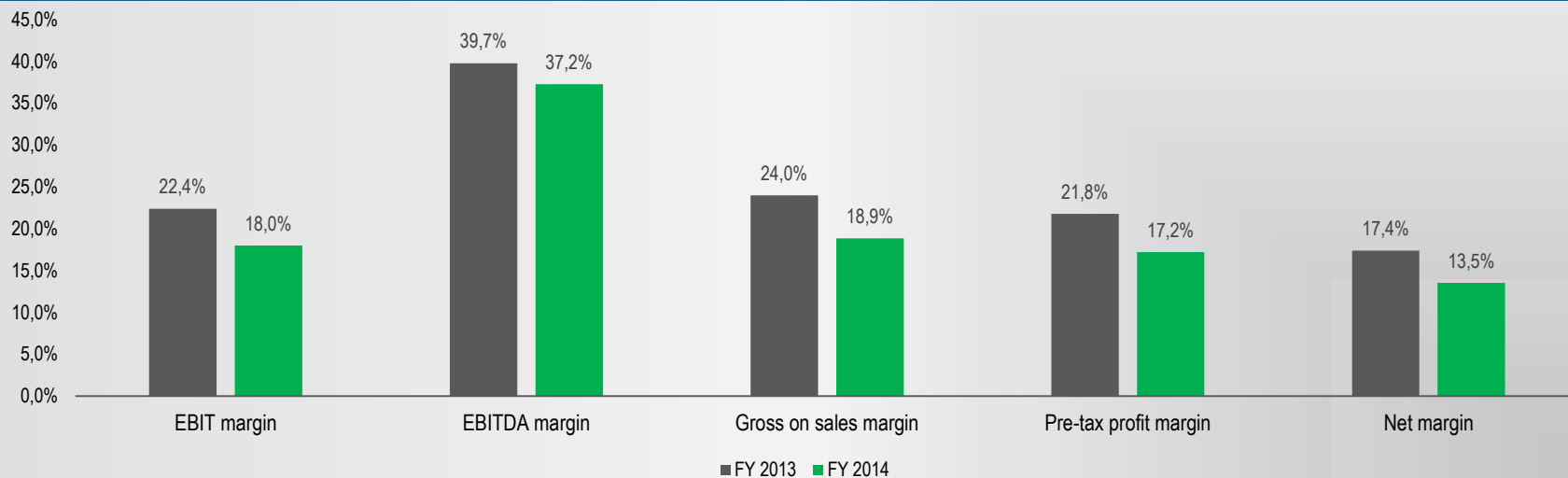
PROFITABILITY RATIOS IN Q4 2013 AND Q4 2014, FOR FY 2013 AND FY 2014



PROFITABILITY IN Q4 2013 AND Q4 2014



PROFITABILITY FOR FY 2013 AND FY 2014



LW BOGDANKA GROUP RESULTS IN Q4 2014 AND Q4 2013, FY 2014 AND FY 2013 — cont.



Revenues

Revenues for Q4 2014, the Company was PLN **523,224,000** (an increase of **8.7%** compared to Q4 2013). In the period from January to December 2014, the Company achieved PLN **2,013,568,000** revenues, which means a **year-to-year increase of 6.0%** (FY 2013 — PLN **1,899,830,000**).

Cost of products, goods and materials sold

In Q4 2014, the **costs of products, goods and materials sold grew up 8.4%** in comparison with the same period of 2013 and **amounted PLN 349,652,000**, with an increase in gross extraction of **21.0%**. Analysing the data for FY 2014 — costs **increased by 14.7%**, with an increase in gross extraction of **13.2%**.

Sales and administrative expenses

Total sales and administrative expenses for Q4 2014 were PLN **35,589,000** and were **5.1%** higher than in the same period in 2013. For FY 2014 **Sales and administrative expenses** reached PLN **136,925,000**, compared to PLN **138,767,000** for FY 2013 — a decrease of **1.3%**.

EBITDA

Q4 2014: PLN 247,469,000 (**47.3% profitability**) as compared to PLN 206,600,000 (**42.9% profitability**) in Q4 2013
EBITDA for FY 2014: PLN 749,953,000 (**37.2% profitability**) as compared to PLN 754,951,000 (**39.7% profitability**) for FY 2013

Operating profit (EBIT)

EBIT in Q4 2014 was PLN **135,707,000** (**15.7% increase** compared to Q4 2013). **EBIT for FY 2014 was lower** compared to the same period in 2013 **by 14.7%**. **EBIT profitability was 25.9%** in Q4 2014 (1.6 percentage points less than in Q4 2013). For the data for FY 2014 and FY 2013, we observe **EBIT profitability decrease to 18.0%** (by 4.4 pp).

Net profit

In Q4 2014, the Group achieved a **3.3% lower net profit** than in Q4 2013 — **net profit was PLN 101,558,000 (2014) as compared to PLN 104,995,000 (2013)**. In turn, for FY 2014, **net profit** reached a value of PLN **272,352,000**, which represents a decrease of **17.4%** relative to the same period in 2013.

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



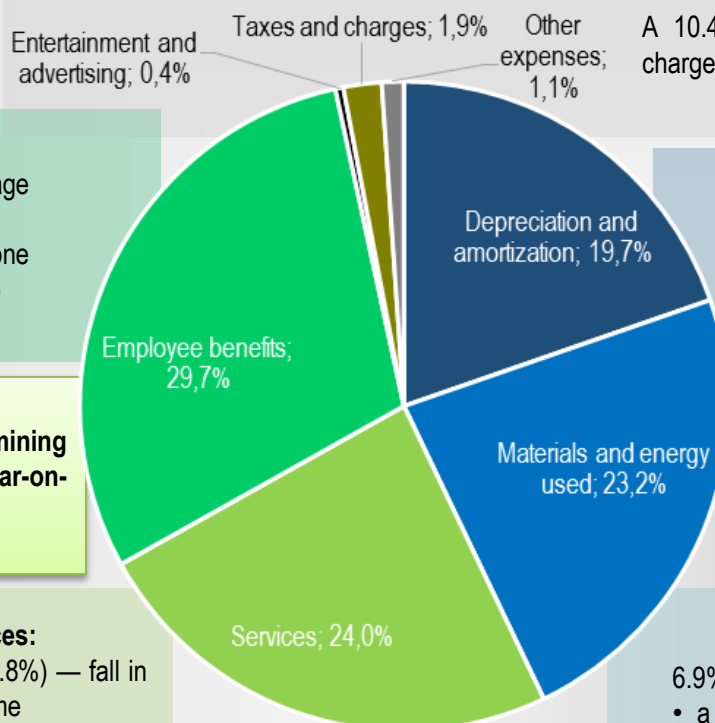
BOGDANKA S.A.'S EXPENSES BY NATURE IN Q4 2014 AND Q4 2013, FY 2014 AND FY 2013

Item [PLN'000 zł]	Q4 2014	Q4 2013	FY 2014	FY 2013	CHANGE	
					[Q4 2014 / Q4 2013]	[FY 2014 / FY 2013]
Depreciation and amortization	107,942	85,461	382,955	325,500	26.3%	17.7%
Materials and energy	103,504	104,692	451,808	485,399	-1.1%	-6.9%
External services	120,012	116,842	467,529	430,030	2.7%	8.7%
Employee cost and benefits	211,430	192,731	577,337	532,925	9.7%	8.3%
Entertainment and advertising	1,888	958	7,737	7,602	97.1%	1.8%
Taxes and charges	8,723	7,573	35,934	32,550	15.2%	10.4%
Other expenses	2,187	2,360	20,532	19,570	-7.3%	4.9%
Costs by type	555,686	510,617	1,943,832	1,833,576	8.8%	6.0%
Activities for the Company's own needs	-47,698	-74,385	-235,601	-299,632	-35.9%	-21.4%
Accruals and deferrals	-55,195	-48,201	-2,821	475	14.5%	-693.9%
Value of coal produced from excavations	-17,641	-27,059	-92,487	-99,742	-34.8%	-7.3%
Provisions and other presentation adjustments (IAS)	-16,790	-1,218	15,712	29,589	1,278.5%	-46.9%
Total production costs	418,362	359,754	1,628,635	1,464,266	16.3%	11.2%
Change in products	-35,811	-6,614	-62	-33,049	441.4%	-99.8%
Value of goods and materials sold	3,251	2,262	11,935	9,403	43.7%	26.9%
Own cost of production sold, including	385,802	355,402	1,640,508	1,440,620	8.6%	13.9%
Costs of products, goods and materials sold	349,825	321,441	1,502,244	1,303,376	8.8%	15.3%
Selling costs	12,012	10,657	41,789	44,539	12.7%	-6.2%
Administrative costs	23,965	23,304	96,475	92,705	2.8%	4.1%

LW BOGDANKA S.A.'S EXPENSES BY NATURE IN FY 2014 — CONTD.



Total costs by type for FY 2014 were 1,943,832,000 zł and were 6.0% (110,256,000 zł) higher than those in the analogous period of 2013, with a 13.2% increase in gross extraction, a 4.2% increase in the amount of preparatory works and a 23.3% increase in the average number of walls in motion. In all of 2014, 29,808 m of galleries were made, compared to 28,618 in the previous year.



A 10.4% year-to-year increase in the value of taxes and charges. – the mining fee and property tax increased

The value of depreciation increased 17.7%:

- an increase of the value of property, plant and equipment put for use by PLN 443,761,000 to PLN 3,717,831,000.
- an increase in the value of natural amortisation in connection with increased extraction and greater progress of the walls.

6.9% decrease in the value of materials and energy:

- a decrease in the costs of energy consumption caused by a decline in the average cost of purchasing electricity
- a decrease in the value of consumed materials (lower unit price of replacement parts)

An 8.3% increase in the value of labour cost:

- a 6.1% year-to-year increase in average employment,
- a 2.3% increase in average pay (this was done through the payment of a one-time special award)

The joint value of labour cost and drilling-mining services (*outsourcing*) increased by 6.6% year-on-year

An 8.7% increase in the value of external services:

- an increase in the costs of waste utilisation (22.8%) — fall in the unit price with simultaneous increase in volume
- an increase in the value drilling-mining services (2.7%)
- - an increase in the cost of rail transport increased (22.5%) (greater volume of sales where LWB was responsible for ensuring transport to the customers) — costs of rail transport are re-invoiced to the customers (neutral impact on the EBIT)

LW BOGDANKA GROUP'S BALANCE-SHEET PROVISIONS



CHANGE OF GROUP'S PROVISIONS FOR FY 2014 AND FY 2013

Item [PLN '000]	As at 31.12.2014	As at 31.12.2013	Change 2014/2013 [%]
Employee provisions	226,724	200,030	13.3%
Liabilities under local property tax (incl. workings)	23,258	27,846	-16.5%
Mine decommissioning provision	123,585	85,278	44.9%
Mining damage	9,155	12,933	-29.2%
Accident insurance premium (ZUS)	15,901	-	-
Other	25,295	24,058	5.1%
TOTAL	423,918	350,145	21.1%

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



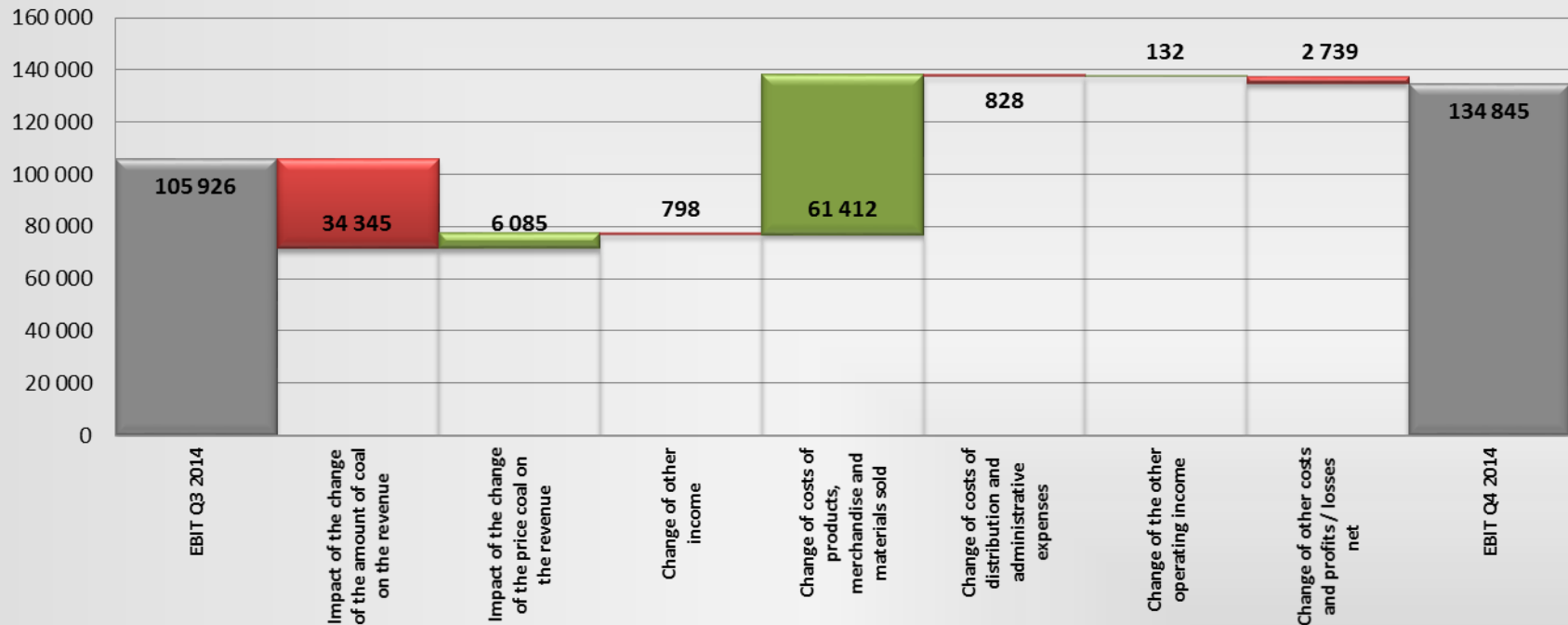
CHANGE OF GROUP'S PROVISIONS IN Q4 2014 AND Q4 2013, FY 2014 AND FY 2013

Item [PLN '000]	Change in Q4 2014	Change in Q4 2013	Change for FY 2014	Change for FY 2013	Change Q4 2014 / Q4 2013	Change FY 2014 / FY 2013
Employee provisions	-9,917	-30,323	26,694	7,362	-67.3%	262.6%
Liabilities under local property tax (incl. workings)	-10,786	15,087	-4,588	18,344	-	-
Mine decommissioning provision	7,577	-12,908	38,307	-4,583	-	-
Mining damage	-2,432	3,894	-3,778	-537	-	603.5%
Accident insurance premium (ZUS)	3,487	-	15,901	-	-	-
Other	254	483	1,237	1,032	-47.4%	19.9%
TOTAL	-11,817	-23,767	73,773	21,618	-50.3%	241.3%

ANALYSIS OF CHANGE TO EBIT FOR Q4 2014 AS COMPARED TO Q3 2014



Variance analysis of EBIT at LWB — Q4 2014/Q3 2014 ('000 PLN)



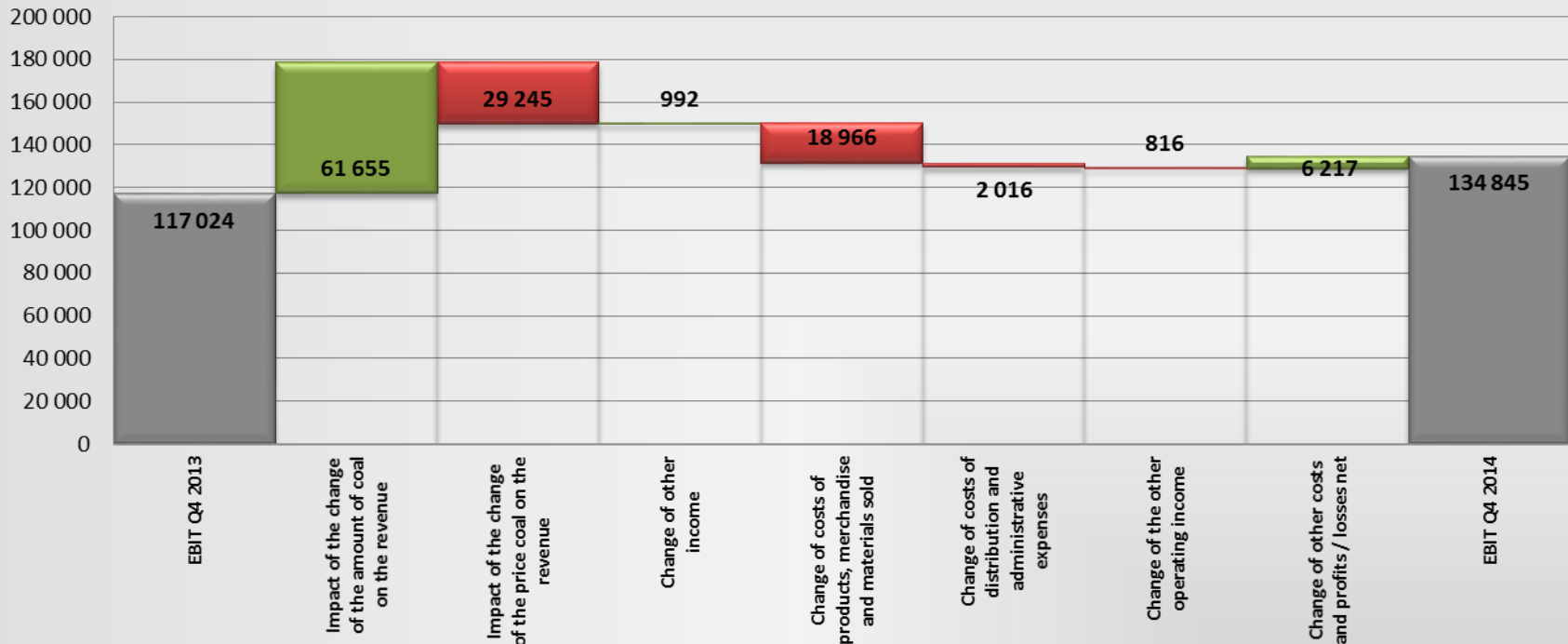
Factors affecting the change in EBIT:

- Decrease in sales volume by 155 thousands tonnes (6.2%), with a higher selling price for coal (+1.1%)
- Increase of net production by 184,000 (7.7%) with a 9.0% increase in gross extraction (with 0.8 p.p. decrease in yield)
- Amount of preparatory work: 5,667 m in Q4 2014 vs. 7,757 m in Q3 2014 (-26.8%)
- A decrease in the unit mining cost.

ANALYSIS OF CHANGE TO EBIT FOR Q4 2013 AS COMPARED TO Q4 2014



Variance analysis of EBIT at LWB — Q4 2014/Q4 2013 ('000 PLN)



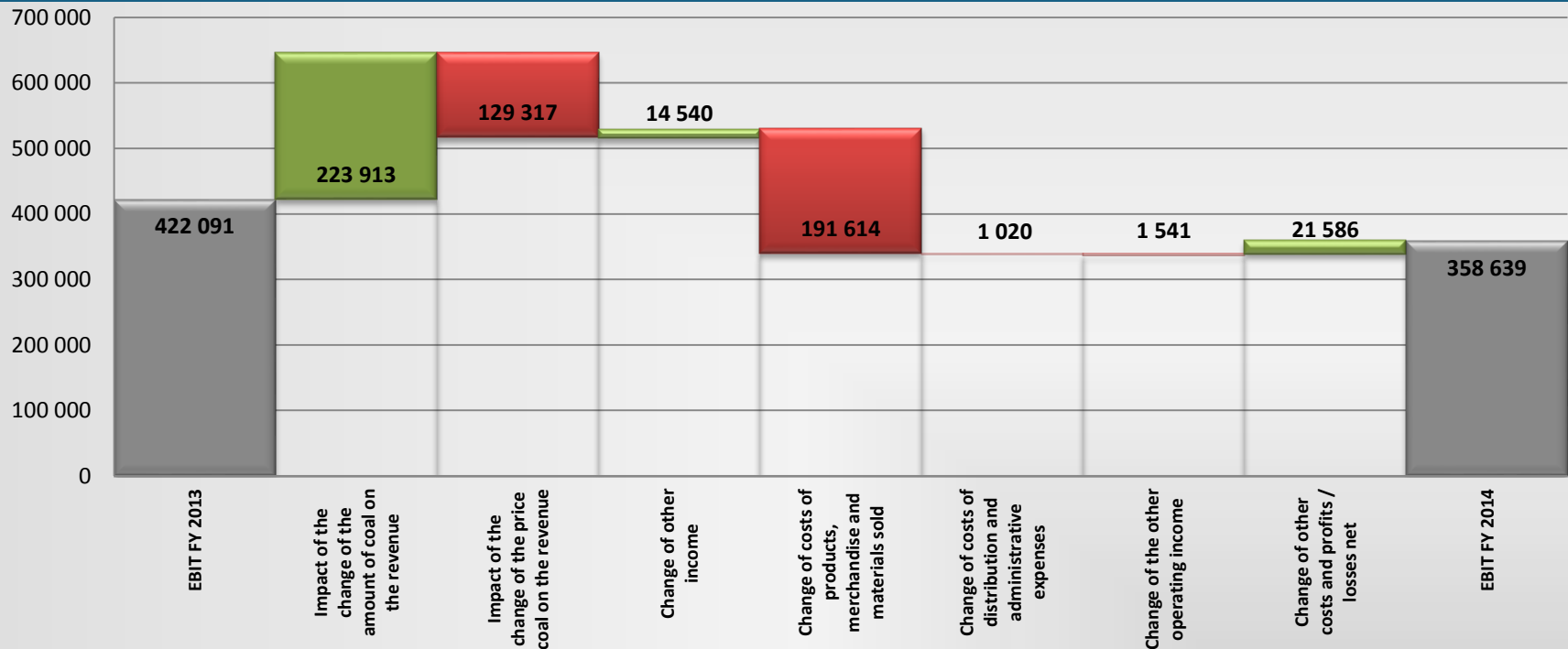
Factors affecting the change in EBIT:

- Increase in sales volume by 278,000 tonnes (13.5%), at a lower selling price for coal (-6.0%)
- An increase of net production by 454,000 tonnes (21.5%) with a 21.0% increase in gross extraction (with 0.3 p.p. decrease in yield)
- Amount of preparation work: 5,667 m in Q4 2014 vs. 7,395 m in Q4 2013 (-23.2%)
- decrease in the unit mining cost,
- in Q4 2013, the property tax reserve was increased by about PLN 15 million

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



Variance analysis of EBIT at LWB — FY 2014/FY 2013 ('000 PLN)



Factors affecting the change in EBIT:

- Increase in sales volume by 1,016,000 tonnes (12.5%), at a lower selling price for coal (-6.7%)
- Increase of net production by 1,016,000 tonnes (10.1%) with a 13.2% increase in gross extraction (with 1.9 p.p. decrease in yield)
- Amount of preparatory work +4.2% (29,808 m in 2014 vs. 28,618 m in 2013)
- Unit mining cost in 2014 at a level similar to that in 2013 (in connection with the relatively higher cost in Q2 2014 — worse geological conditions)

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NATIONAL MARKET DEMAND FOR THERMAL COAL...



COAL PRICES

- The mean price of thermal coal in Q4 2014 was **249.13 PLN/t**, while in FY 2014 — **252,79 PLN/t**
- The mean price of coal sold to the power industry in FY 2014 was **221.72 PLN/t**

DEMAND/SUPPLY

- In Q4 2014 and in FY 2014, **decrease in the market's need** for thermal coal
- A very large amount of coal inventories at mines and power plants.

HARD COAL MARKET

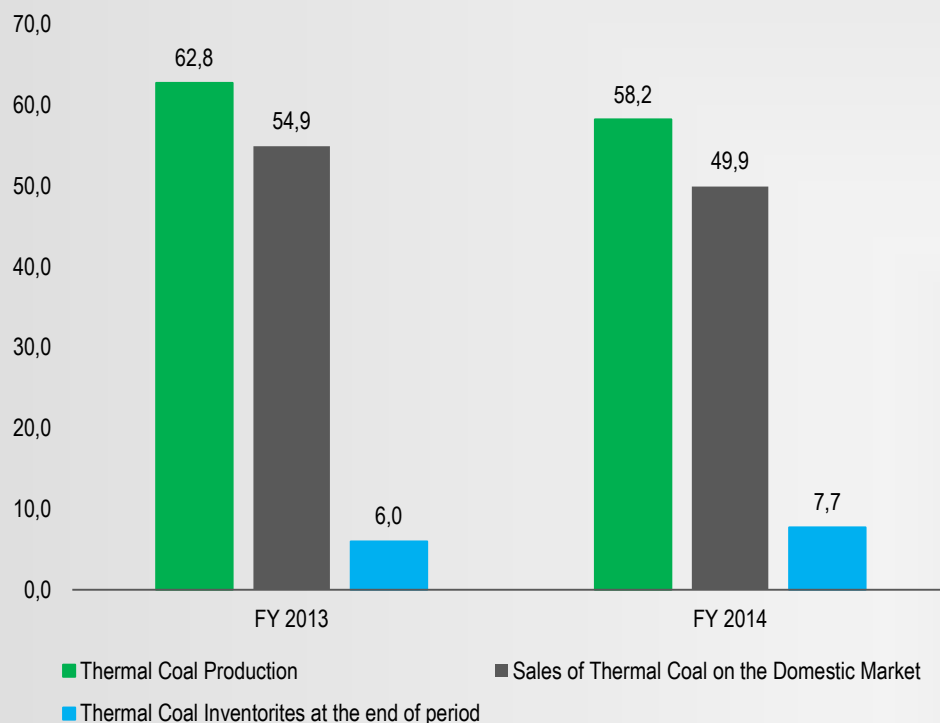
PERFORMANCE OF POLISH COMPANIES*

- Extraction of thermal coal in Silesian mines in Q4 2014 was **12.6 million tonnes** (8.7% less than in Q4 2013), while in FY 2014 it was **49.0 million tonnes** and was **9.9%** decrease vs.FY 2013.
- **Inventory** of thermal coal in mines at the end of Q4 2014 was **7,551,100 tonnes** and was nearly **1,756,100 tonnes**, that is **30.3%**, more than in Q4 2013. In FY 2014, inventories on the power plants also increased.
- In Q4 2014, **sales of thermal coal on the national marker** were **11,764,500 tonnes** (nearly 70.7% of total coal sales) and were **13.7% (1,872,900 tonnes)** lower than in Q4 2013, while in FY 2014 they were **40,655,700 tonnes** compared to **46,758,600 tonnes** in FY 2013 (13.1%, that is 6,102,800tonnes, lower)
- The mean **cost of sold coal** (thermal and coking) in Q4 2014 was **329.97 PLN/t** and rose by over **2.4%** relative to Q4 2013; in FY 2014, the above costs were **333.22 PLN/t** — a **5.4%** increase as compared to FY 2013

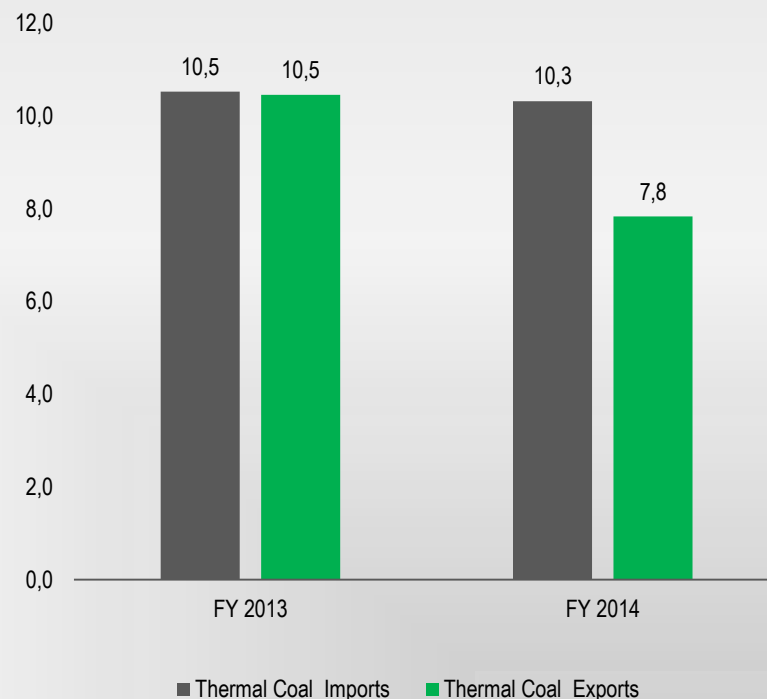
... AS A FACTOR DETERMINING LEVELS OF COAL PRODUCTION, SALES AND INVENTORIES



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



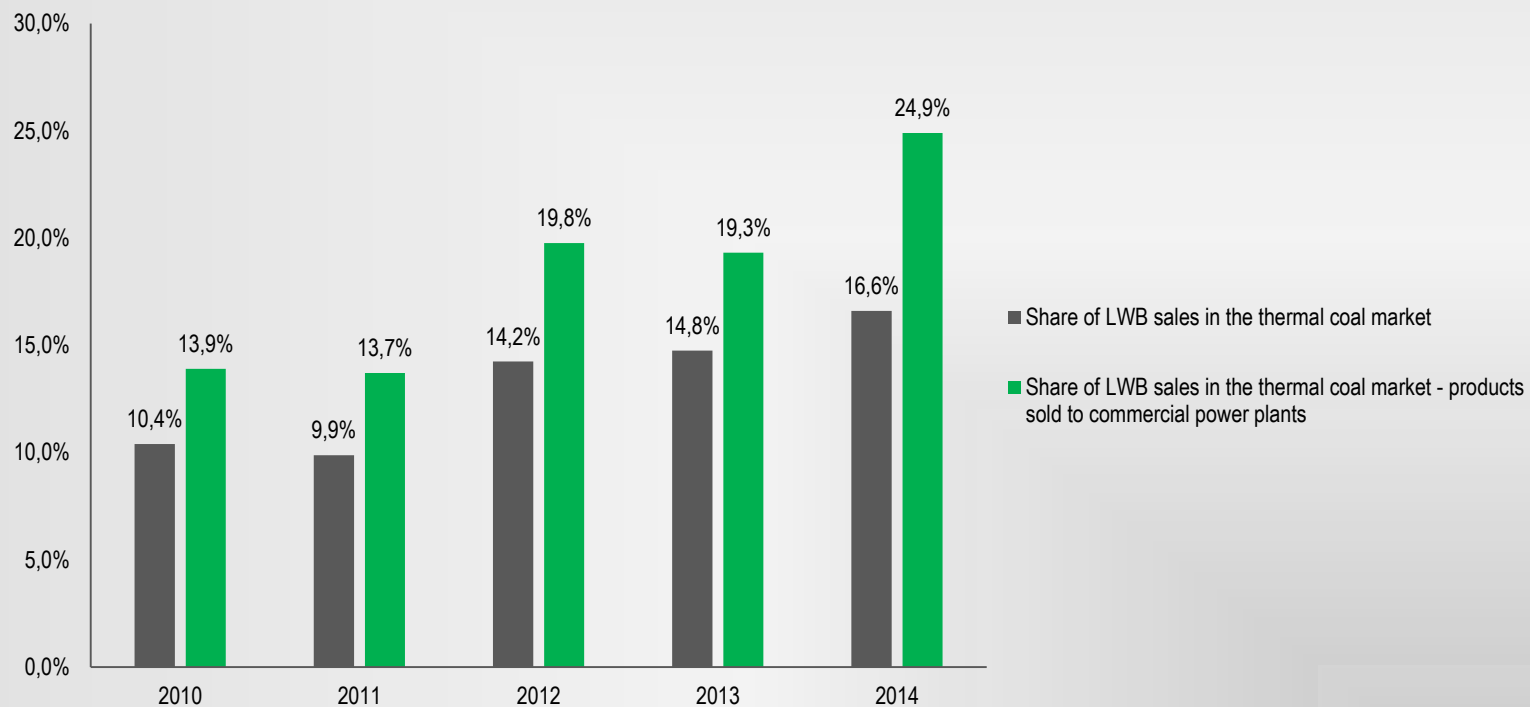
**Thermal coal imports and exports
(million tonnes)**



LW BOGDANKA S.A.' STRENGTHENING MARKET POSITION



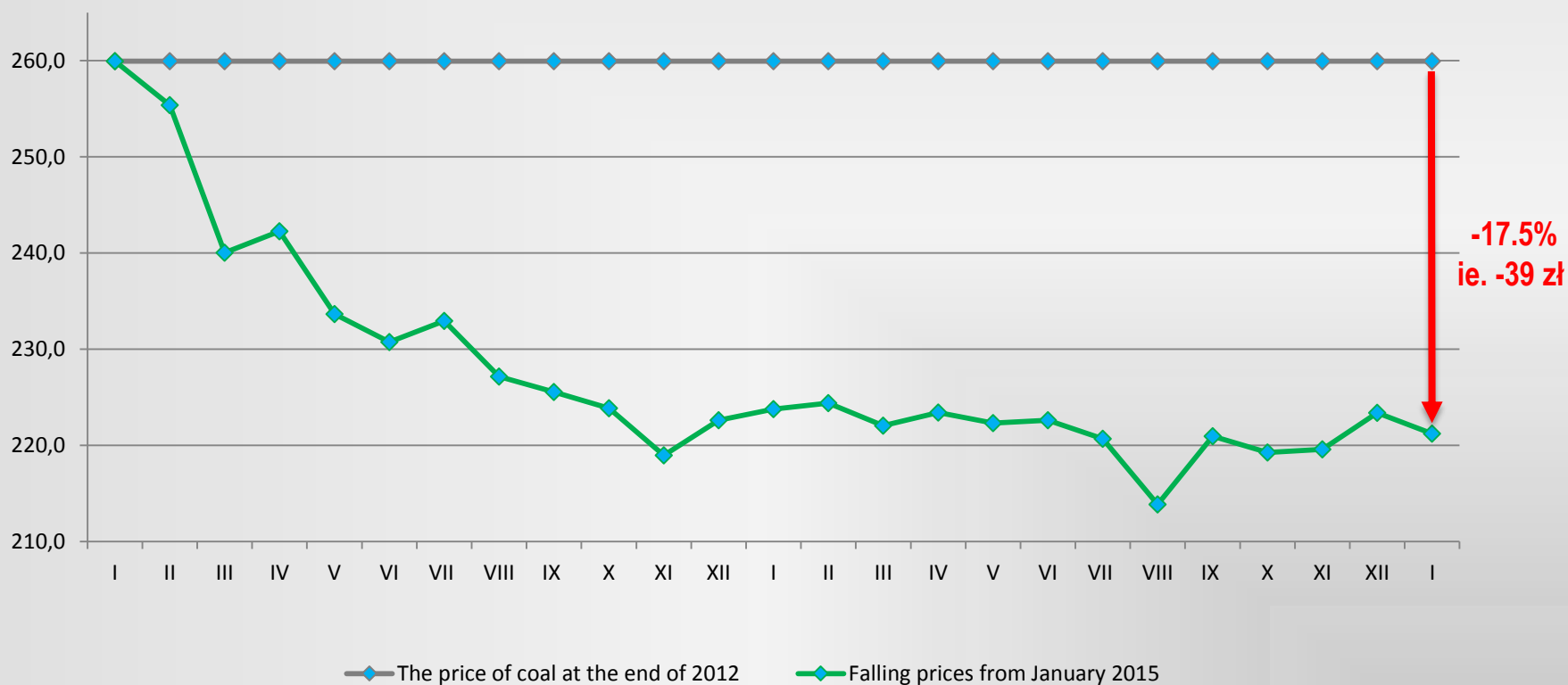
MARKET SHARE IN [2010 – 2014]



PRICES TO COMMERCIAL POWER PLANTS IN POLAND - THERMAL COAL MARKET



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



AGENDA

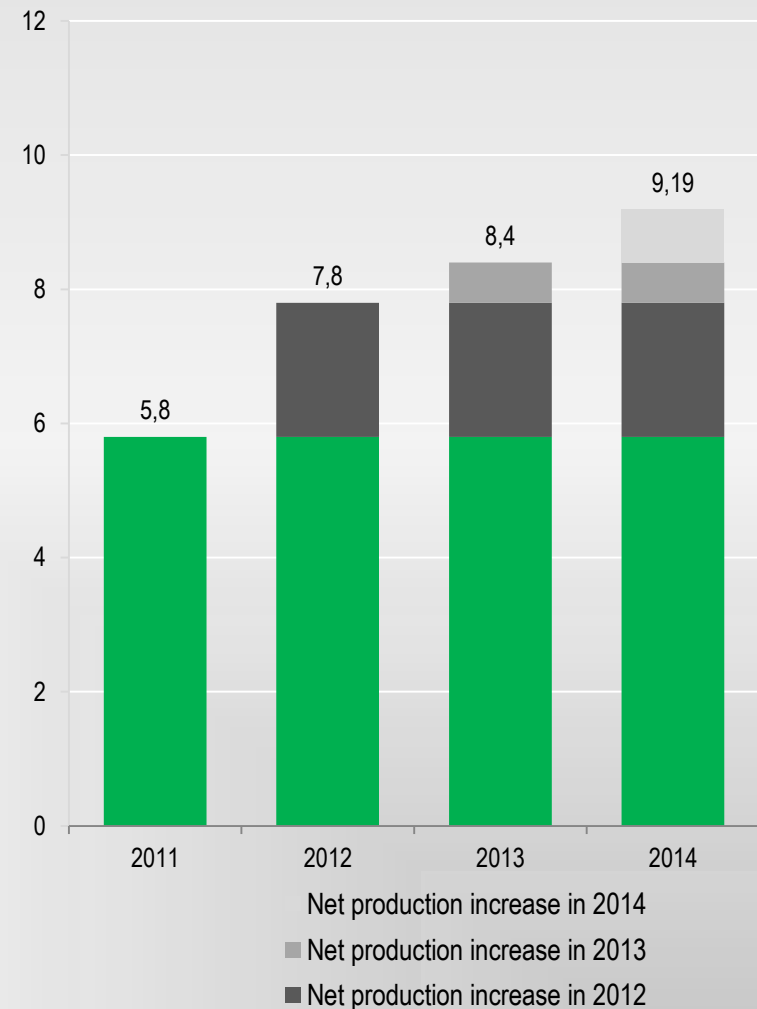


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2X2 STRATEGY — consistently carried out

- ✓ Completion of the investment process aiming at **doubling the production capacity** of the mining facility to about 11.5 million tonnes of commercial coal in 2015;
- ✓ **Doubling of reserves and mine lifetime to about 2050**, by obtaining licenses and managing new, prospective areas (increasing operative reserves from about 237 million tonnes to about 450 million tonnes);
- ✓ Strengthening the stable position of main supplier of coal, particularly for the power industry — **achieving a 20% share of sales of thermal coal and 30% for thermal coal for the power industry in the country by 2015**, from about 14% and 19% in 2012;
- ✓ **Remaining the leader in mining effectivity** while decreasing the Unit Mining Cash Cost by 15% by 2017 compared to 2012, in real terms;
- ✓ Maintaining the position of leader in innovative technical solutions — implementation of the **Smart Mine** project;
- ✓ Additional investments in the **modernisation of shaft 1.5** in Nadrybie, allowing for an increase in net production capabilities to about 12 million tonnes — **decision on modernisation suspended until at least 2017**.



2X2 STRATEGY - doubling of production capacity of the mining facility



Completion of the investment process meant to double the production capacity of the mining facility to about 11.5 million tonnes of commercial coal in 2015;

As part of the goal:

- investment in the expansion of the MCPP was completed (maximal processing capacity is 67,500 t/day),
- in November 2014, the last plough system, “Bogdanka 4”, was delivered,
- the company achieved a production capacity of 10.5–11.5 million tonnes annually, depending on the quality of the seam and the yield obtained.



2X2 STRATEGY — doubling of reserves and mine lifetime to about 2050



Doubling of reserves and mine lifetime to about 2050, by obtaining licenses and managing new, prospective areas (increasing operative reserves from about 237 million tonnes to about 450 million tonnes);

As part of the goal:

- In 2014, the Company received licenses for exploration in the Ostrów and Orzechów areas and licenses for extraction in the K-3 area (19 million tonnes of operative reserves),
- The Company is continuing its efforts to obtain mining license in the K6-K7 area — on 12/12/2014, a complaint was filed with the Regional Administrative Court in Warsaw regarding the refusal of the Minister of the Environment to grant the license.
- Work has begun towards conversion of exploration license in mining license for the Ostrów and Orzechów deposits and additional deposit of about 400 million tonnes of operative reserves. These deposits are the most promising due to the amount of reserves and the possibility of quickly beginning mining of these deposits using the existing surface and pit infrastructure of the Bogdanka and Nadrybie fields.

Tests of coal from the Ostrów area — very high quality coal



2X2 STRATEGY — doubling of reserves and mine lifetime to about 2050



On 18 February, work on drilling of the first hole in the Ostrów region was completed.



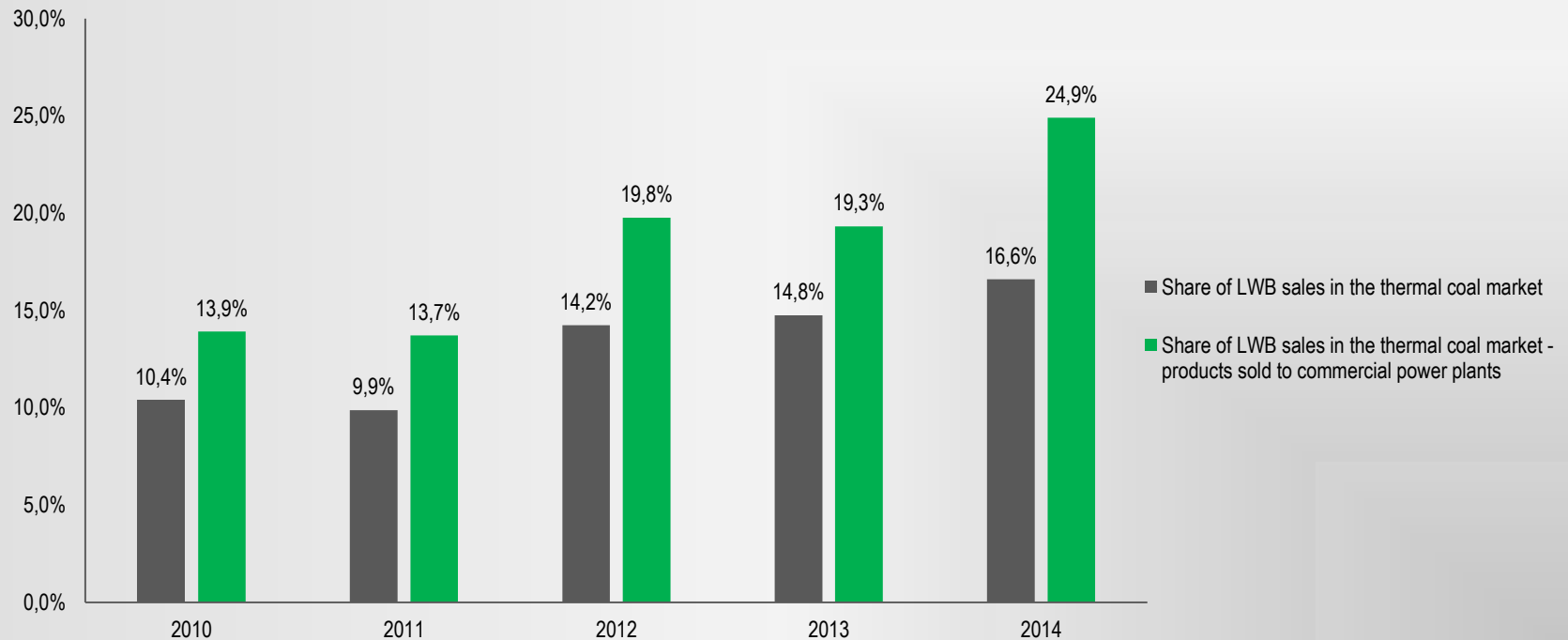
STRATEGY 2X2 — increasing market share



Strengthening company's position as main supplier of coal, particularly for the power industry — achieving a 20% share of sales of thermal coal and 30% for thermal coal for the power industry in the country by 2015, from about 14% and 20% in 2012;

As part of the goal:

- At the end of 2014, the company achieved a 17% share of sales of thermal coal in the country and a 25% share of sales of coal to the power industry.

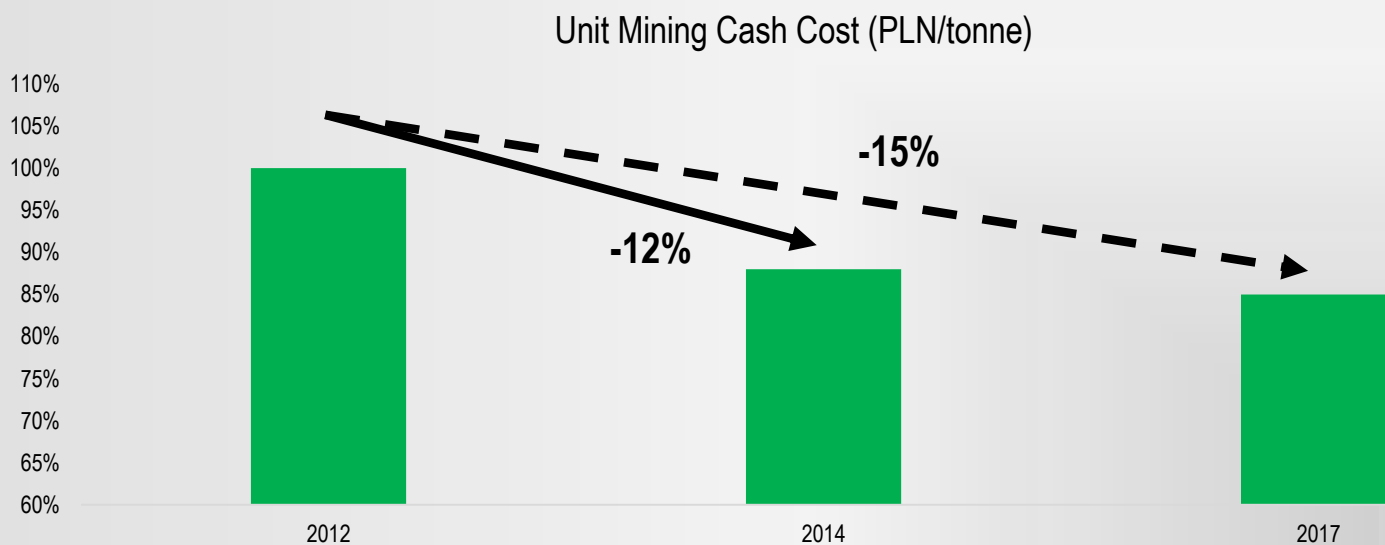


STRATEGY 2X2 — remaining the leader in effectivity



Remaining the leader in mining effectivity while decreasing the Unit Mining Cash Cost by 15 % by 2017 compared to 2012, in real terms;

- The Company is in the middle of implementation of a cost reduction programme. In 2014, a 12% real decrease in the Unit Mining Cash Cost was achieved as compared to 2012, despite difficult geological conditions in Stefanów in the second and third quarters of 2014.



2X2 STRATEGY — „Smart Mine”



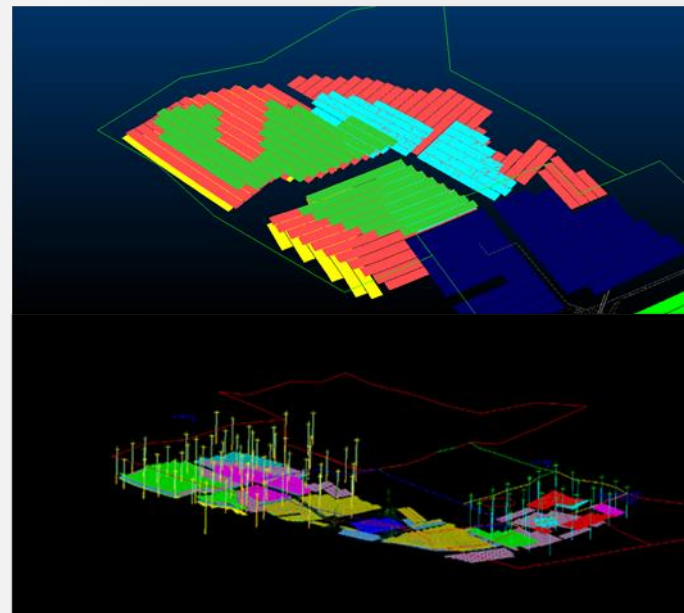
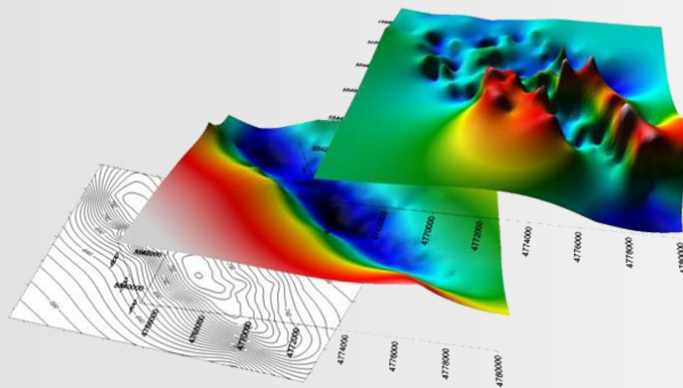
Maintaining our position of leader in innovative technical solutions — implementation of the Smart Mine project.

The following were developed as part of the implementation:

- a digital model of the deposit (so far the only one in Polish coal mining), a digital map of mining excavations,
- a digital schedule of access, preparatory and mining works,

Work continues on:

- a decision support system for the process of preparing deposits for mining,
- a map of pit infrastructure facilities,
- a central database.

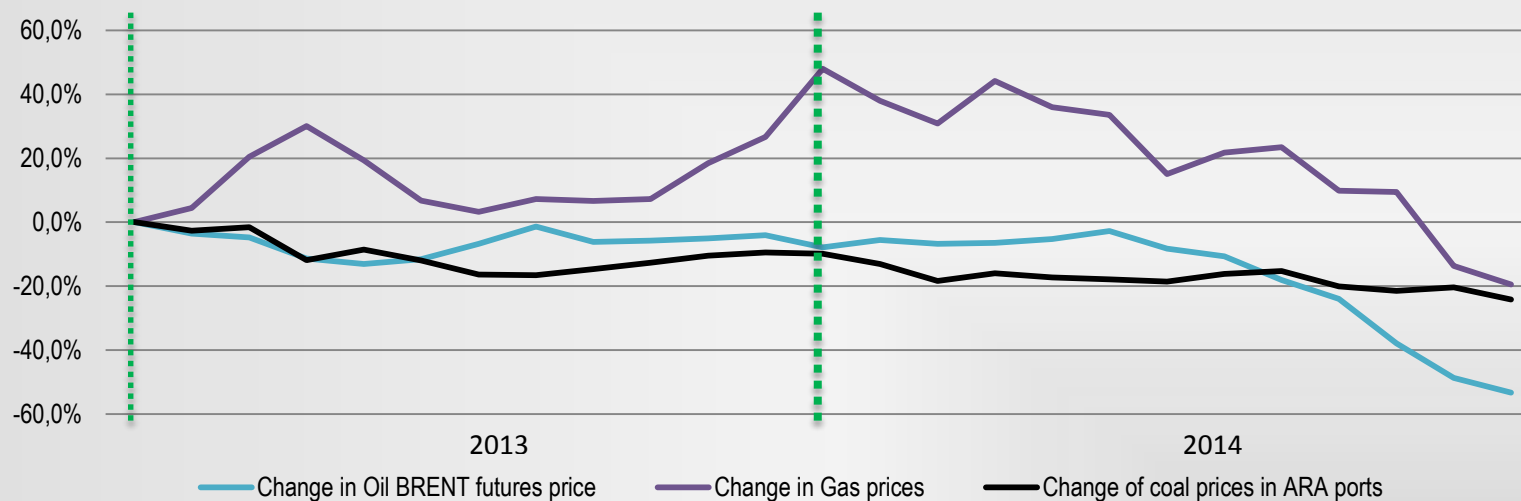


SITUATION OF INTERNATIONAL COMODITY MARKET



The difficult situation on the Polish market is also influenced by global trends of coal prices of coal and other commodities such as oil and gas. Prices of fuels alternative to coal, falling for over two years, are reaching their lowest levels in years. At the beginning of 2015, the price of coal at ARA ports fell below \$60 per tonne, a decrease in price of over 30% relative to 2013.

Changes in the prices of energy commodities from the beginning of 2013 to the end of 2014



	31/12/2012 [\$]	31/12/2013 [\$]	31/12/2014 [\$]	2013/2012 [%]	2014/2012 [%]	Change 2014/2013
Coal price at ARA Ports	90.70	81.75	68.80	-9,9%	-24,1%	-14.2 points
Crude oil	115.55	106.40	53.95	-7,9%	-53,3%	-45.4 points
Natural gas	3,339	4,943	2,687	48,0%	-19,5%	-67.5 points

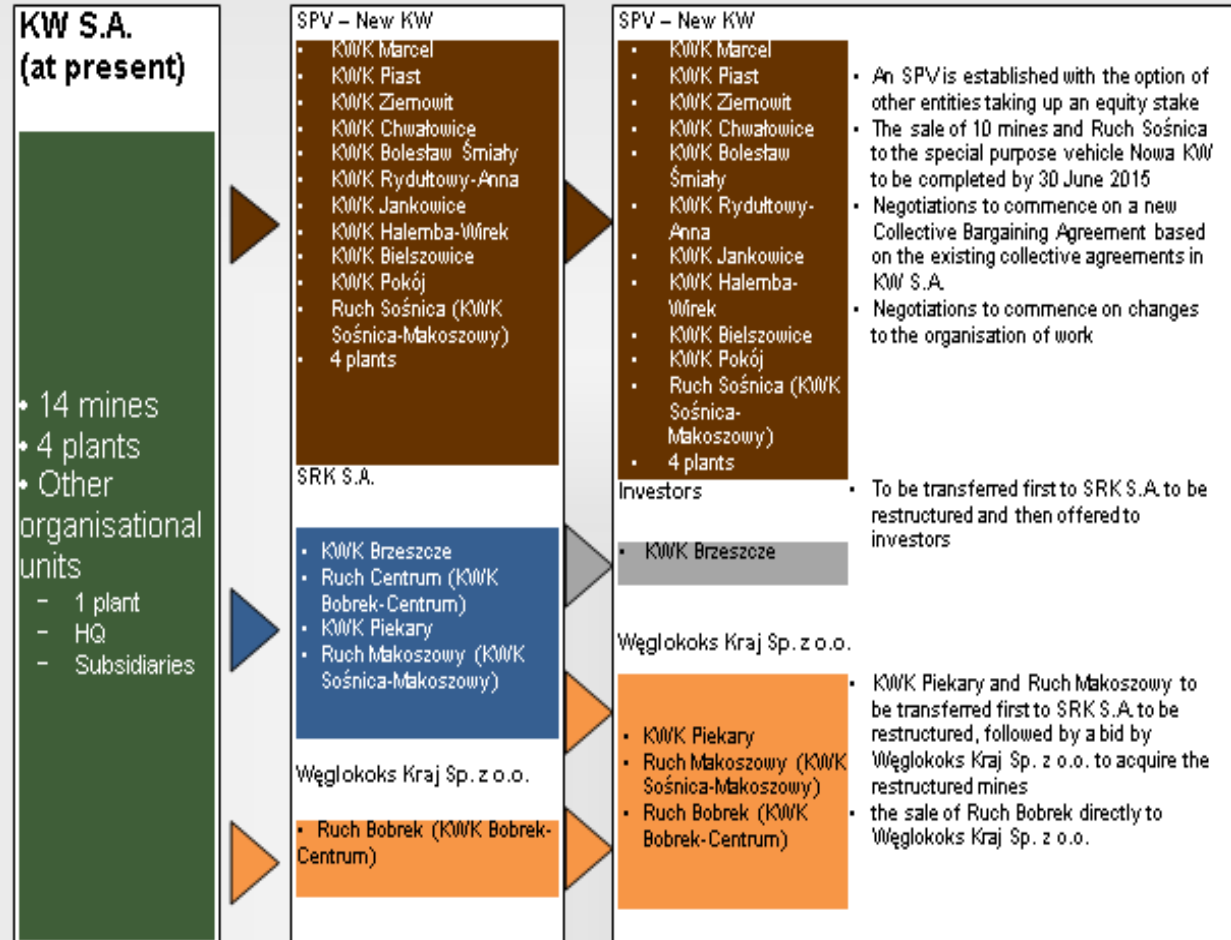


DIFFICULT SITUATION ON THE POLISH MARKET

Assessment of government plans for restructuring of KW S.A.:

- The implementation of the plan presented by the government for the restructuring of KW S.A. is linked to public support programme, but EU Council decision 2010/787/UE allows for the provision of public support only in case of the decommissioning of unprofitable mines, not their restructuring.
- In the case of implementation of the programme in line with the concluded agreement, KW S.A.'s previous production will be concentrated at the most cost-effective facilities.

Proposed Restructuring of KW S.A.



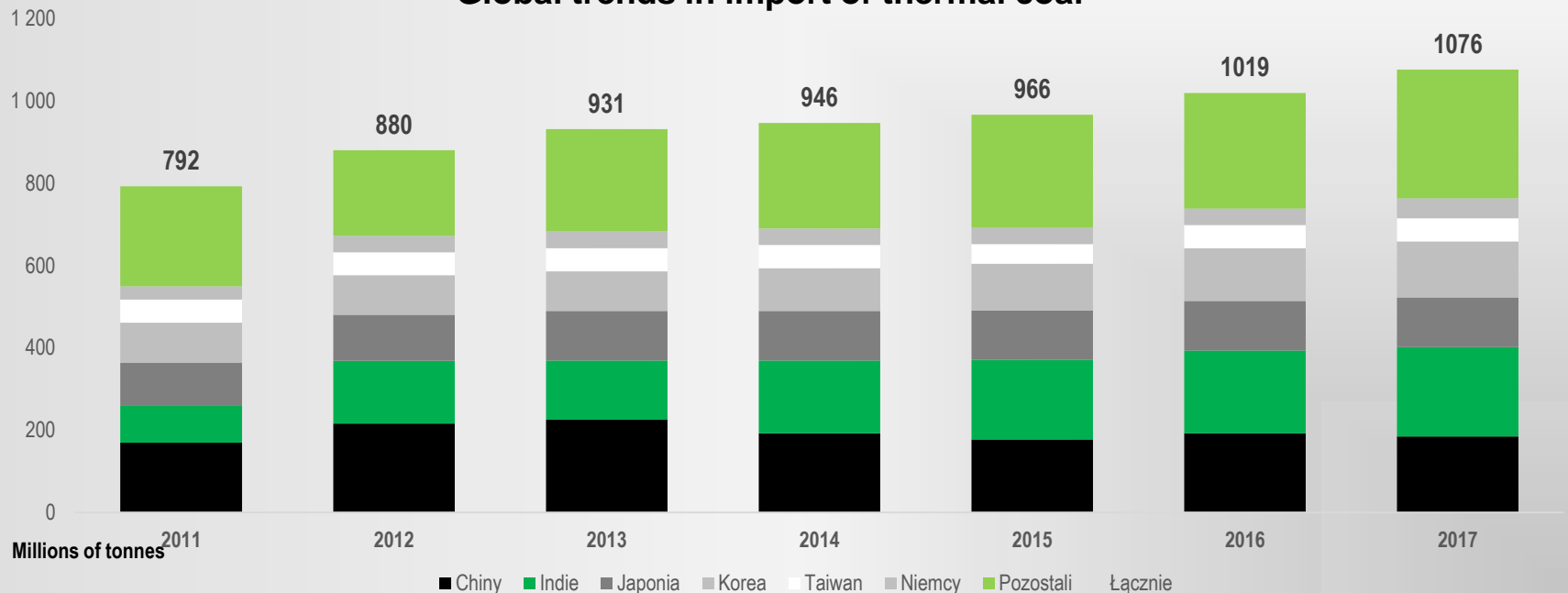
GLOBAL TRENDS IN THE NEED FOR HARD COAL



Global trends:

- ✓ The average price of thermal coal is influenced by: the “shale gas revolution” in the USA, the decline in China's demand, significant overproduction, e.g. in Australia.
- ✓ Oversupply will continue in 2015, maintaining pressure of global prices.
- ✓ Improvement in demand and prices is foreseen beginning in 2017.
- ✓ A **2.1%** annual increase in demand for coal is foreseen through 2019.
- ✓ A **0.8%** annual increase in demand for coal is foreseen through 2035.
- ✓ Coal remains the dominant fuel for energy producers — a share of over 1/3.

Global trends in import of thermal coal



PLANNED POWER-OFF'S AND POWER-ON'S AT COAL POWER PLANTS IN POLAND



Year	new capacity				shutdown		
	Entity	Power plant	Type of investment	Power [MW]	Entity	Power plant	Power [MW]
2015	GDF	Połaniec	upgrade	34	Tauron	Stalowa Wola	205
	EDF	Rybnik	upgrade	5	Tauron	Siersza	120
2016	EDF	Rybnik	upgrade	20	GDF	Połaniec	225
					Tauron	Łagisza	120
2017					Tauron	Łaziska	250
2018	ENEA	Kozienice	new	1,075	Tauron	Łagisza	240
2019	PGE	Opole	new	1,800			
2020	Tauron	Jaworzno III	new	910	PGE	Dolna Odra (Lower Oder)	454
					Tauron	Stalowa Wola	125
					Tauron	Siersza	251
Total power				3,844			1,990

Additional:

**1,854
MW**

Source: Analysis, Roland Berger

The construction of the new power unit, with a power of **1,075 MW**, at the **Kozienice Power Plant**, per the applicable agreement*, for **LW Bogdanka** means a market for an additional min. **2 million tonnes annually**.

*the Company informed about the agreement's signing in current report no. 3/2012 of 23/01/2013.



ASSUMPTIONS OF THE STRATEGY'S UPDATE

Due to substantial change of the market situation, resulting from factors such as: a significant decrease in the price of coal, persistent inventories at Silesian mines and at power plants and plans for the government's intervention in mining and power production, the Company's Management decided to verify the assumptions of the Strategy for 2015–2020.

Main assumptions of the Strategy's update:

- keeping of LW “Bogdanka” S.A.'s position as cost leader,
- sale of coal for power, heating and chemical industry,
- expansion on the Polish market,
- getting new customers in foreign markets,



Strategic objectives:

- continuing work to obtain new reserves,
- keeping the position of leader among Polish producers of hard coal,
- preparing for a changing and even more competitive market,
- continued implementation of the programme for cost reduction of extraction costs and optimisation of investment outlays,
- providing sustainable return to investors.

ASSUMPTIONS OF THE STRATEGY'S UPDATE

— optimal scenario



In order to prepare Company to the changing market situation, Management prepared an analysis of different development scenarios depending on evolution of coal market in Poland.

The following scenario was chosen as the the optimal one:

- **Continued mining** of the Bogdanka and Stefanów fields and gaining access to the new areas of “Ostrów-Orzechów” and, in the long-term, the K6-K7 area using the mine's current infrastructure (without construction of new shafts and increased extraction);
- **Limitation of capital expenditure** to the essential for making new deposits available — in particular in the years 2015–2017 — and verification of capex aiming to increase production capabilities through 2020;
- **Optimisation of the production level** relative to the market situation, particularly in the years 2015–2017;
- **Optimisation of long-term returns to investors** taking into account the risks associated with the market situation.

Applying the above assumptions will allow the Company to increase effectivity while at the same time putting on hold decision regarding further production and development until the hard coal market in Poland stabilises. The variant selected by the Management is the most flexible and keeps the possibility of returning to the planned increase in production and even its expansion.

ASSUMPTIONS OF THE STRATEGY'S UPDATE

— dividend policy



Dividend policy for 2013-2015:

- ✓ **dividend payout at 60% of net profit**
- ✓ **altogether, the Company paid out dividends of PLN 505.4 million in 2012–2014**
- ✓ **dividend yield at a level of 3.2% – 5.1%**
- ✓ **financing secured through 2018–2020**
- ✓ **debt ratio as of 31/12/2014 — 1.33***

Dividend per share (PLN)



The Management is analysing its dividend policy for following years taking into account risks and price conditions. Management consider securing liquidity and financial stability as critical. The dividend policy for next years will be prepared and announced by 30 June 2015 along with the Strategy for activity for 2015–2020.

*total debt including long-term obligations / EBITDA

AGENDA

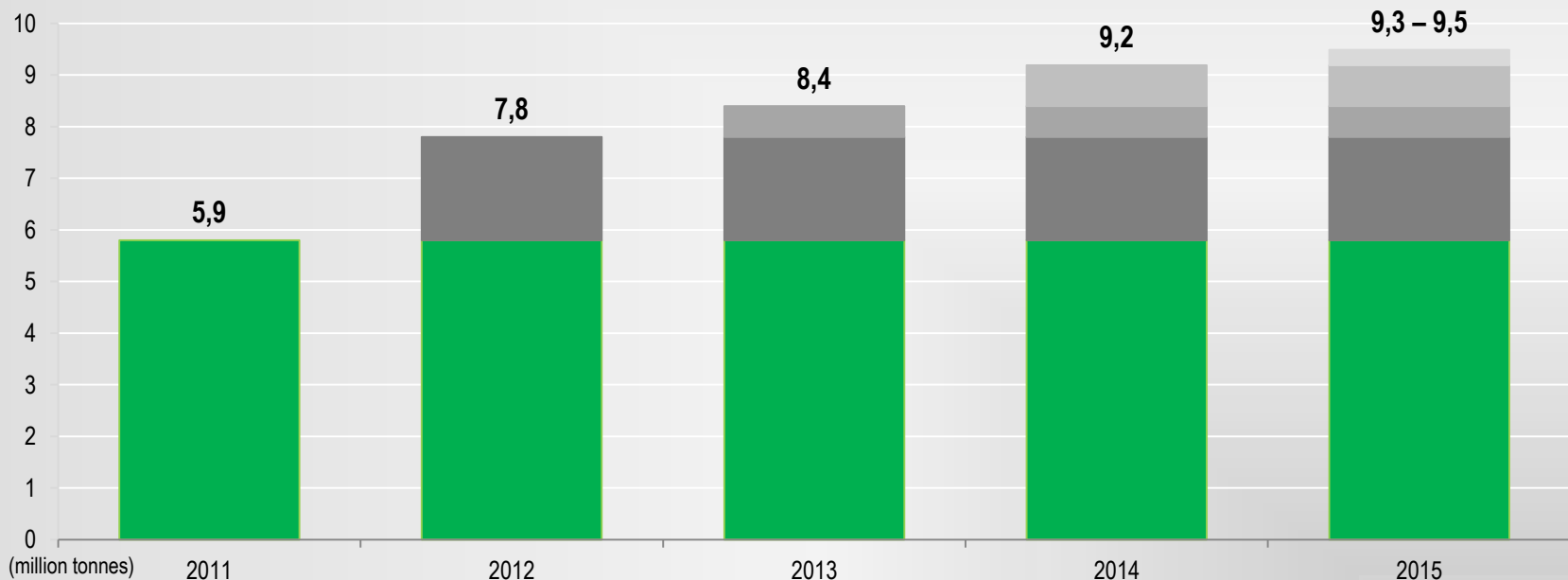


1. Key operating data
2. Financial highlights
3. Situation on the coal market
4. Strategy's update
- 5. Assumptions for 2015**
6. Appendices – Financial information

PRODUCTION CAPACITY — SALES ASSUMPTIONS FOR 2015



- The Company reached its target production capacity at a level of 10.5 – 11.5 million tonnes (depending on geological conditions), however...
- ... in connection with the current market situation, sales of commercial coal for 2015 set at 9.3 – 9.5 million tonnes are expected in 2015.



ASSUMPTIONS OF THE STRATEGY'S UPDATE

— investment outlays



In 2015, the Company's capex will be at maximum of PLN 560 million, with cash plan for investment at not more than PLN 640 million (due to the deferral of payment for the 4th ploughing system).

The Company is currently working on adjusting to the level of production (linked to sales volume), assuming further reduction of costs and lowering of capex. The capital expenditure for the following years will be presented along with the Strategy update by 30 June 2015.

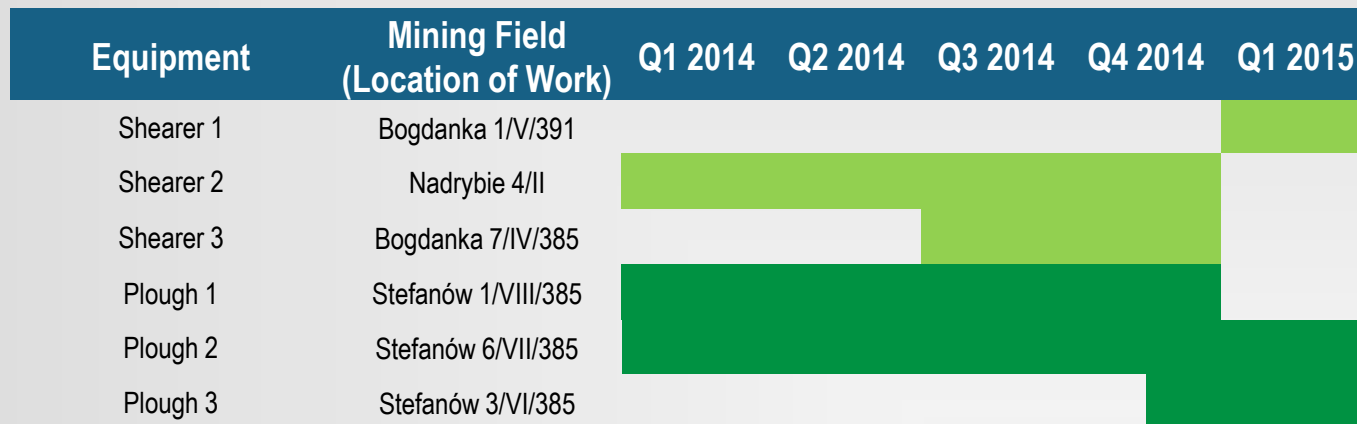


INVESTMENTS OF GK LW BOGDANKA S.A. IN FY 2014 AND PLAN FOR 2015

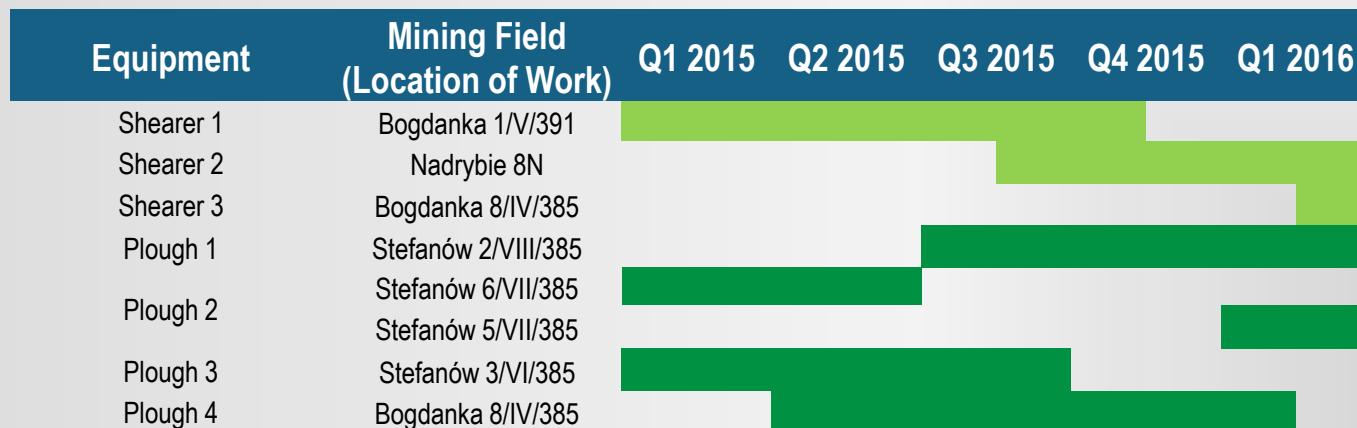


Specification	Realization FY 2014	Plan for 2014	Plan for 2015
DEVELOPMENT CAPEX	480,278	385,782	164,757
Purchase and installation of wall complexes	346,991	247,259	1,750
Purchase of machines, devices and ready goods	56,745	75,571	63,880
Central climatisation for the Bogdanka field	7,549	11,379	39,449
Obtaining new license	3,013	3,750	49,972
Expansion of MCPP and other	65,980	47,823	9,706
OPERATIONAL CAPEX	299,479	299,767	396,045
New galleries and modernisation of existing ones	240,348	238,651	309,112
Modernisation and remodelling of machines and devices	11,634	13,430	36,210
Environmental protection	12,034	11,610	5,030
Other operating investments	35,463	36,076	45,693
TOTAL CAPEX FOR LW BOGDANKA	779,757	685,549	560,802
ŁĘCZYŃSKA ENERGETYKA	22,802	22,705	19,897
REMAINING DEPENDENT COMPANIES	297	0	0
TOTAL CAPEX FOR GK LW BOGDANKA	802,856	708,254	580,699

SCHEDULE OF WALL RUNS FOR LW BOGDANKA IN 2014 AND PLAN FOR 2015



In 2014, mining of walls was carried out with the **shearer** and plough techniques — the **shearer** technique's share of wall progress was about **42%**, the **plough** technique's about **58%**.



In 2015, the **shearer** technique's planned share of wall progress will be about **29%**, while the **plough** technique's share will be about **71%**.

Work of the roadheaders during particular time periods

Work of the ploughing systems during particular time periods

SUMMARY



The Company achieved very good results in the fourth quarter and in all of 2014, achieving a record production level and a high 25% share of the market for thermal coal delivered to the power industry.



In 2014, the most important investments (expansion of the MCPP, purchase of the 3rd and 4th ploughing systems) needed to reach the target production capacity of 10.5 – 11.5 million tonnes were completed.



In connection with the difficult situation in global markets (oversupply of coal, falling prices of raw materials) and on the Polish market (selling off of inventories by KW S.A.), there is strong pressure from customers concerning price and volumes.



In effect, the company will not be able to use its full capacity this year — work on further optimisation of costs and CAPEX is under way.



The process of obtaining licenses in the most promising regions is continuing. In 2014, the Company obtained licenses for exploration of the “Ostrów” and “Orzechów” areas and is continuing its efforts to obtain an mining license in the K-6, K-7 area.



A Strategy update taking into account the optimal courses of action given the market situation will be announced by 30 June 2015.

THANK YOU



CONTACT

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



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



CHANGE IN PROVISIONS AT THE LW BOGDANKA GROUP IN Q4 2014 AND Q4 2013, FY 2014 AND FY 2013 AND THEIR IMPACT ON FINANCIAL PROFIT/LOSS OF THE ANALYSED PERIOD

Item [PLN '000]	Change in Q4 2014	Impact on profit / loss for Q4 2014	Change in Q4 2013	Impact on profit / loss for Q4 2013	Change in FY 2014	Impact on profit / loss for FY 2014	Change in FY 2013	Impact on profit / loss for FY 2013
Employee provisions	- 9,917	4,753	- 30,323	8,519	26,694	- 40,766	7,362	- 37,163
Liabilities under local property tax (incl. workings)	- 10,786	- 854	15,087	- 16,447	- 4,588	- 7,052	18,344	- 19,704
Mine decommissioning provision	7,577	- 1,281	-12,908	- 2,508	38,307	- 7,696	- 4,583	- 6,360
Mining damage	- 2,432	- 447	3,894	- 6,930	- 3,778	- 447	- 537	- 6,930
Accident insurance premium (ZUS)	3,487	- 3,487	-	-	15,901	- 15,901	-	-
Other	254	- 346	483	- 484	1,237	- 2,053	1,032	- 2,201
TOTAL	-11,817	- 1 662	- 23,767	- 17,850	73,773	- 73,915	21,618	- 72,358

ANALYSIS OF THE CONSOLIDATED INCOME STATEMENT OF LW BOGDANKA GROUP



Details ['000 zł]	Q4 2014	Q4 2013	Change (Q4 2014/ Q4 2013)	FY 2014	FY 2013	Change (FY 2014/ FY 2013)
Revenue	523,224	481,531	8,7%	2,013,568	1,899,830	6,0%
Cost of products, merchandise and materials sold, distribution cost, administrative expenses	385,241	356,362	8,1%	1,633,993	1,444,031	13,2%
Gross profit	137,983	125,169	10,2%	379,575	455,799	-16,7%
<i>Gross margin</i>	26,4%	26,0%	1,5%	18,9%	24,0%	-21,3%
Other income	333	1,545	-78,4%	1,435	3,837	-62,6%
Other expenses	2,204	2,137	3,1%	3,502	3,062	14,4%
Net operating profit/loss	136,112	124,577	9,3%	377,508	456,574	-17,3%
Other net gains/losses	405	7,333	-94,5%	15,193	31,771	-52,2%
Operating profit (EBIT)	135,707	117,244	15,7%	362,315	424,803	-14,7%
<i>EBIT margin</i>	25,9%	24,3%	6,6%	18,0%	22,4%	-19,6%
EBITDA	247,469	206,600	19,8%	749,953	754,941	-0,7%
<i>EBITDA margin</i>	47,3%	42,9%	10,3%	37,2%	39,7%	-6,3%
Finance income	142	1,828	-92,2%	7,071	7,267	-2,7%
Finance costs	5,838	6,312	-7,5%	23,532	18,341	28,3%
Profit before tax	130,011	112,760	15,3%	345,854	413,729	-16,4%
Pre-tax profit margin	24,8%	23,4%	6,0%	17,2%	21,8%	-21,1%
Income tax	28,453	7,765	266,4%	73,502	84,001	-12,5%
Net profit for the reporting period	101,558	104,995	-3,3%	272,352	329,728	-17,4%
<i>Net margin</i>	19,4%	21,8%	-11,0%	13,5%	17,4%	-22,4%
- attributable to owners of the Company	101,410	104,978	-3,4%	272,845	329,417	-17,2%

STATEMENT OF FINANCIAL POSITION OF LW BOGDANKA GROUP



Item [PLN '000]	31/12/2014	31/12/2013
Non-current assets, including:	3,730,165	3,274,004
Cash and cash equivalents	88,832	77,912
Current assets, including:	634,250	570,126
Cash and cash equivalents	195,481	212,004
Total assets	4,364,415	3,844,130
Current liabilities	669,307	808,968
Non-current liabilities	1,171,281	579,631
Total liabilities	1,840,588	1,388,599
Equity	2,523,827	2,455,531
Current borrowings	100,526	421,000

CASH FLOW OF GK LW BOGDANKA



Item [PLN '000]	FY 2014	FY 2013
Net cash flows from (used in) operating activities	712,863	726,043
Cash inflow from operating activities	769,749	779,214
Interest received	3,802	764
Income tax paid	-60,688	-53,935
Net cash flow from investing activities	-716,887	-639,154
Acquisition of property, plant and equipment	-694,277	-615,247
Interest paid regarding investing activity	-13,769	-15,247
Acquisition of intangible assets	-3,130	-2,676
Inflow from the sale of property, plant and equipment	1,318	306
Interest received	3,891	3,766
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	-	-175
Net cash flows from (used in) investing activities	-10,920	-9,881
Net cash from (used in) financing activities	- 12,499	4,564
Loans and borrowings received	113,678	-
Inflow from issue of bonds	500,000	200,000
Repayments of loans and borrowings	-421,000	-20,000
Other net cash flow from (used in) financing activities	-7,587	-3,327
Dividends paid to the Company's shareholders	-197,590	-172,109
Net increase in cash and cash equivalents	-16,523	91,453
Cash and cash equivalents at beginning of the period	212,004	120 551
Cash and cash equivalents at end of the period	195,481	212,004

SALES STRUCTURE OF GK LW BOGDANKA IN Q4 2014 AND Q4 2013



Item [PLN '000]	Q4 2014	Share [%]	Q4 2013	Share [%]
Coal sales	498,158	95.2%	456,655	94.8%
Ceramics sales	362	0.1%	1,204	0.3%
Other activities	21,261	4.0%	21,158	4.4%
Sales of merchandise and materials	3,443	0.7%	2,514	0.5%
Total revenue	523,224	100.0%	481,531	100.0%

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THANK YOU FOR YOUR ATTENTION

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