



LUBELSKI WĘGIEL
„BOGDANKA”
SPÓŁKA AKCYJNA

PRESENTATION OF RESULTS FOR

✓ Q2 2015 ✓ 1H 2015

GK LW BOGDANKA





MANAGEMENT BOARD MEMBERS



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President of the
Management Board



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



Waldemar Bernaciak
Vice-President of the
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Sales and Logistics

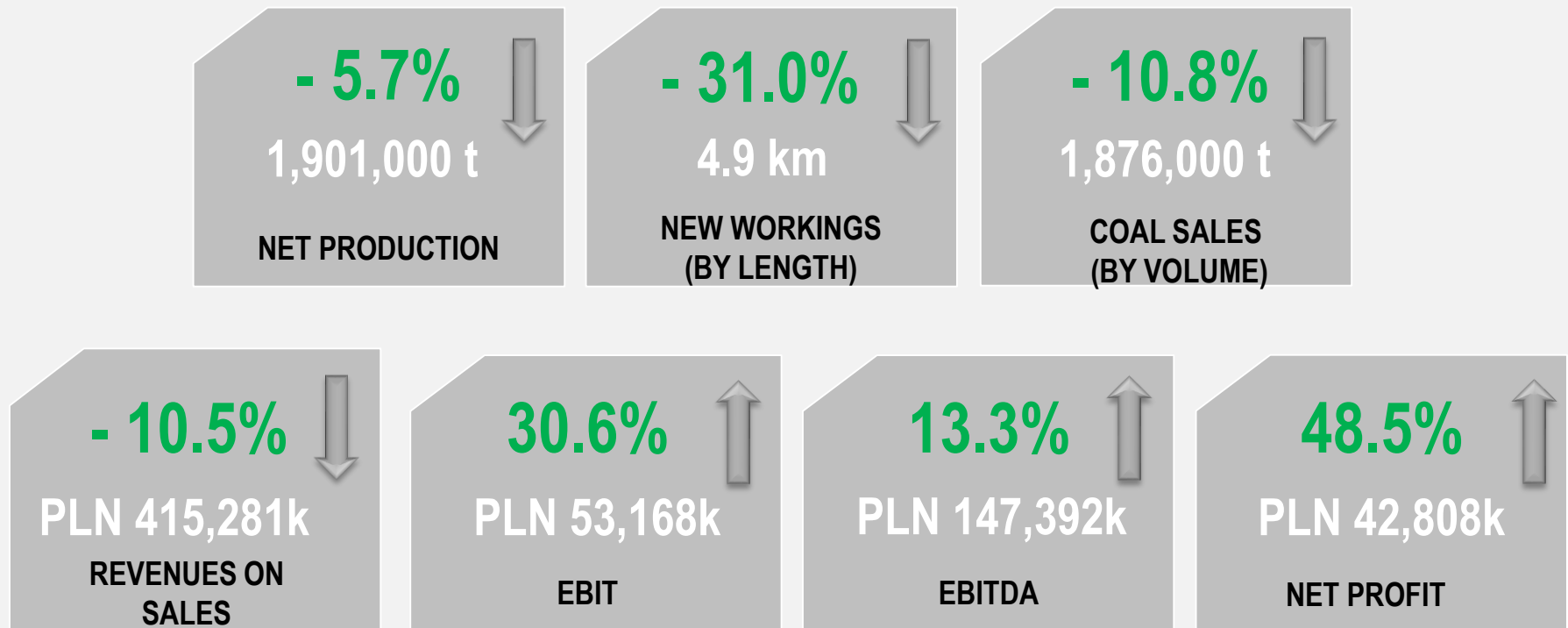


Krzysztof Szlaga
Vice-President of the
Management Board,
Procurement and Investments

LW BOGDANKA GROUP RESULTS IN Q2 2015



LW BOGDANKA GROUP RESULTS IN Q2 2015 VS. Q2 2014

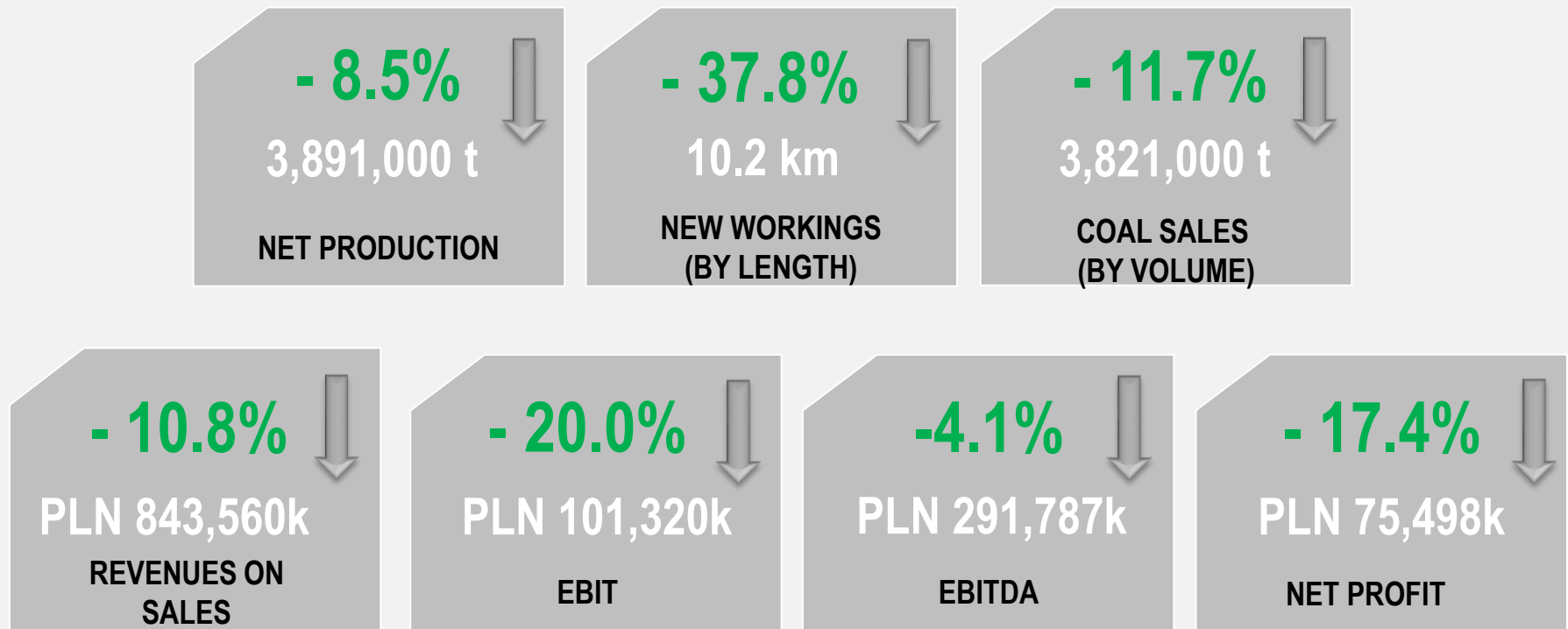


■ Change [%] Q2 2015/Q2 2014 □ Results in Q2 2015



LW BOGDANKA GROUP RESULTS IN 1H 2015

LW BOGDANKA GROUP RESULTS IN 1H 2015 VS. 1H 2014



■ Change [%] 1H 2015/1H 2014 □ Results in 1H 2015

AGENDA



1. Key operating data

2. Situation on the coal market

3. Financial highlights

4. Plan for 2015 and assumptions for 2016-2020

5. Appendices – Financial information

PRODUCTION AND SALES OF THERMAL COAL AT LW BOGDANKA S.A. IN Q2 2015 AND 1H 2015



Gross production

- ✓ **2,784k tonnes** in Q2 2015 (a decrease of **10.0%** y/y)
- ✓ **5,758k tonnes** in 1H 2015 (**10.5%** less than in 1H 2014)
- ✓ Production in 1H 2015 was conducted on 128 days, compared to 149 days in 1H 2014

Net production

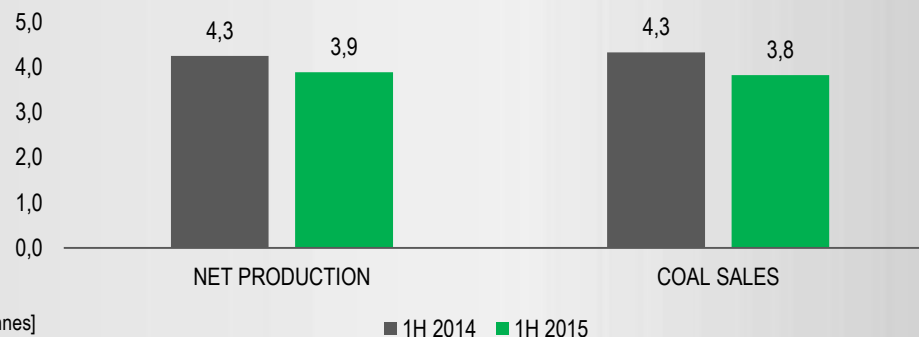
- ✓ **1,901k tonnes** in Q2 2015 (a decrease of **5.7%** y/y)
- ✓ **3,891k tonnes** in 1H 2015 (8.5% less than in 1H 2014)
- ✓ Lower production in 1H 2015 was adjusted to the level of coal sales

New workings

- ✓ **New workings:** in Q2 2015 **4.9 km of new galleries** were developed as compared to **7.1 km** in Q2 2014 (decrease of **31.0%**)
- ✓ In 1H 2015 there was a total of **10.2 km** of new workings vs. **16.4 km** in 1H 2014 (decrease of **37.8%**)
- ✓ Reduction is due to changes in the production schedule and optimization of the capex program

Coal sales

- ✓ In Q2 2015 there was a decrease in coal sales. **1,876k tonnes** of coal was sold, i.e. 10.8% (**226k tonnes**) less than in Q2 2014
- ✓ In 1H 2015 **3,821k tonnes** of coal was sold – 11.7% (**506 k tonnes**) less than in 1H 2014
- ✓ Decrease in sales in H1 2015 resulted from delivery schedules to customers (level of inventories at power plants)



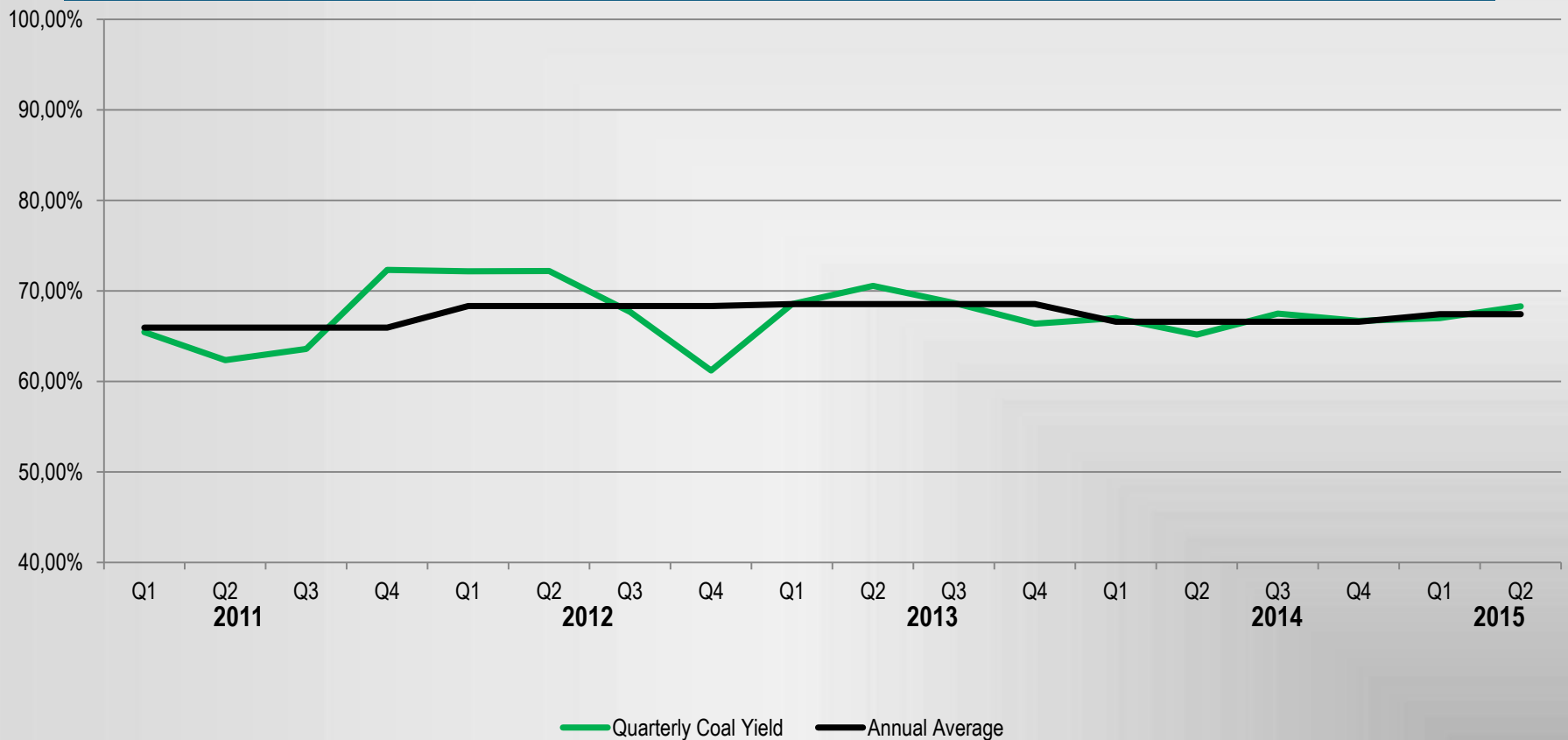
[m tonnes]



COAL YIELD AT LW BOGDANKA S.A.

✓ Coal yield in 1H 2015 was about 68%, higher than in 1H 2014 (66,1%).

COAL YIELD AT LW BOGDANKA S.A. [2011 – 2015]



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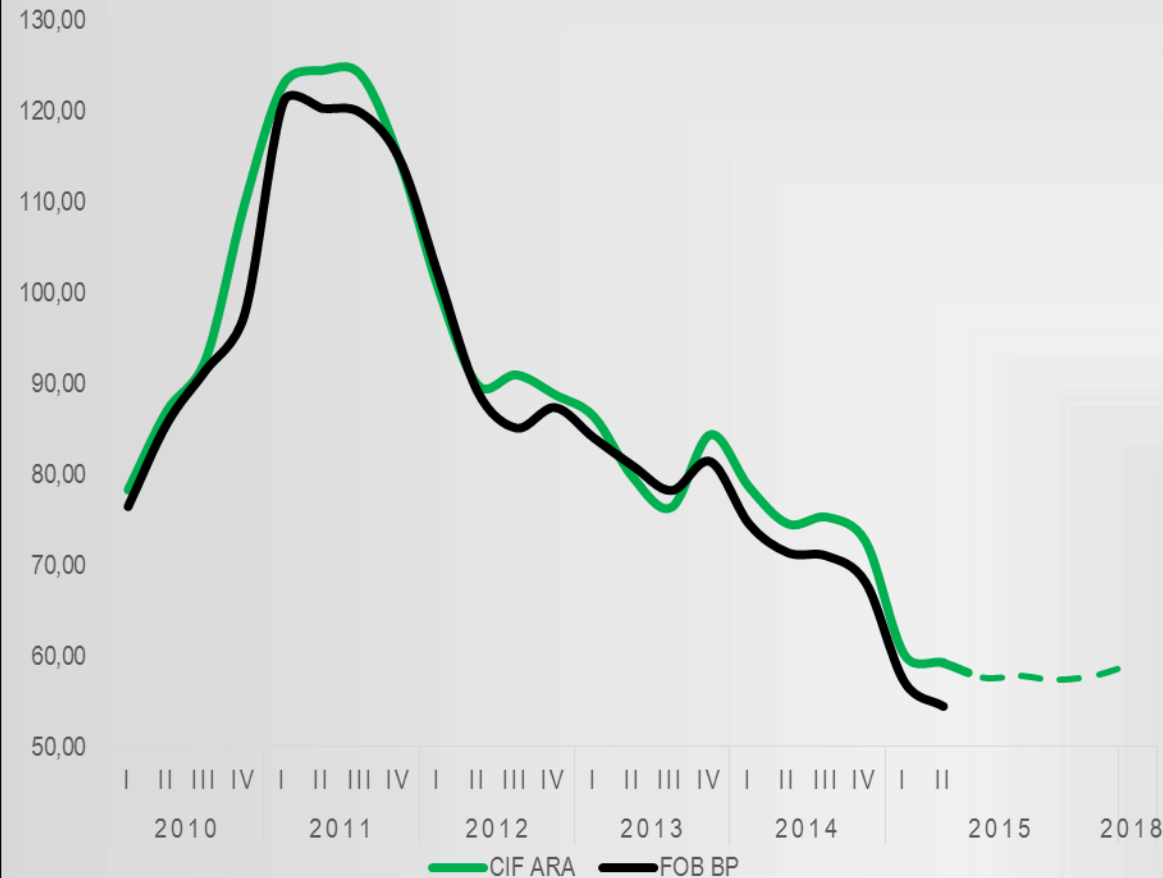
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SITUATION ON THE COAL MARKET– GLOBAL PRICES



COAL PRICES
ON INTERNATIONAL MARKET

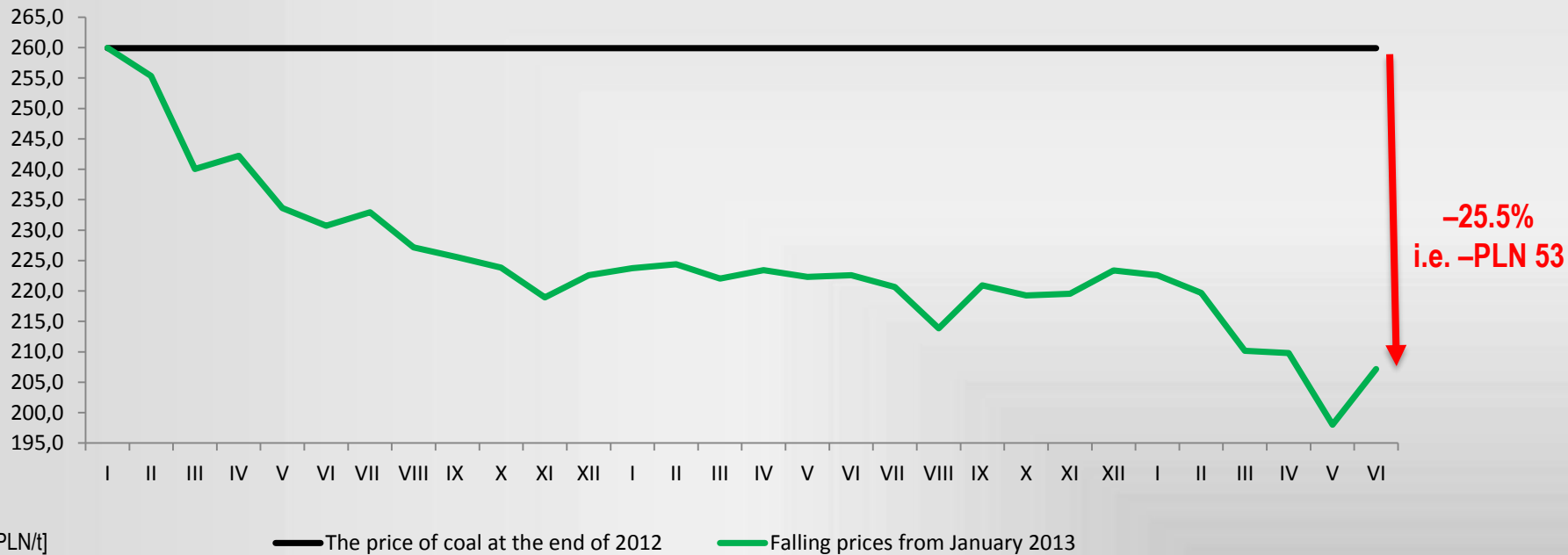


- ✓ The CIF ARA cumulative price in Jan.–July (as of 17 July 2015) was USD 59.37/t, 21.1% lower than the annual average price in 2014 (USD 75.26/t)
- ✓ Since 3Q 2011 the price of coal at ARA ports has fallen by **52%**
- ✓ Forward transactions through 2018 are at about USD 60/t
- ✓ Since 2Q 2011 the price of coal from Baltic Ports has fallen by 54%
- ✓ In the long-term perspective, growth in demand for coal is expected in connection with growth in consumption, *inter alia* by India and other developing countries

PRICES TO COMMERCIAL POWER PLANTS IN POLAND – THERMAL COAL MARKET



PRICES OF THERMAL COAL SOLD TO COMMERCIAL POWER PLANTS IN POLAND



- ✓ Extremely unfavourable situation on the thermal coal market connected with price dumping by KW
- ✓ From April to May 2015, **inventories of coal at mines fell by over 1m tonnes** on nearly **unchanged production levels**. Coal from KW is oversupplying the coal market.
- ✓ In April 2015 the price was **PLN 209.80/t**, in May only **PLN 198.04/t**, and in June **PLN 207.12/t**

PRICES TO COMMERCIAL POWER PLANTS IN POLAND



The ongoing 'restructuring' of Kompania Węglowa has a decisive influence on the thermal coal market in Poland, by:

- A continuing oversupply of the commodity on the thermal coal market:
 - A limited number of 'independent' counterparties on the market
 - Maintaining production at permanently unprofitable mines
 - About **PLN 700m** invested in the last 3 years at the 4 least profitable KW mines in terms of result per GJ
 - For example, the loss in 2014 at Brzeszcze (one of the worst KW mines transferred to SRK) per **GJ was PLN 14.23** with an EBIT loss of **PLN 229.6m**
 - Average effectiveness at **KW in 2014** was **605t/man**, while at **LW Bogdanka** it was more than **3 times greater**, at **1,886t/man**.
- KW is selling off production and inventories (constantly reducing the price of the product), causing prices to dive
 - With subsidies from the State, **KW sells thermal coal for as little as PLN 140-170/t, at an extraction cost of about PLN 280/t**
 - Various forms of subsidies, e.g.:
 - In 2003–2011, as stated on its website (BIP), KW S.A. received PLN 6,380m in state aid
 - In recent months: PLN 600m from FRP (via Węglokoks), advances against future purchases of coal, postponing deadlines for payment of public charge (social insurance and taxes), 'unilateral' extension of payment terms to 240 days, etc.
 - In June 2015 there was signed an agreement for creation of four funds to be managed by PIR – one of them is FIPP, holding PLN 1.5bn to start
 - Investment by energy companies (e.g. PGE, PGNiG, Energa and Tauron) in Nowa KW is being considered.
- In 2015 and 2016 further pressure to reduce prices is expected.

The shape of Nowa KW and the level and mix of extraction in Silesia as a whole will be key for the Polish market. Nowa KW is to established by the end of August 2015.

DOMESTIC DEMAND FOR THERMAL COAL...



COAL PRICES

- ✓ The average price of thermal coal on the domestic market in Q2 2015 was PLN 228.99/t, in 1H 2015 PLN 237.92/t
- ✓ The average price of coal sold to commercial power plants in Q2 2015 was PLN 203.43/t, in 1H 2015 PLN 210.11/t

DEMAND/SUPPLY

- ✓ In Q2 2015 we saw a **slight decline in market demand** for thermal coal
- ✓ Very large quantities of coal still remain stockpiled at mines and power plants (**about 14m tonnes**)

COAL MARKET

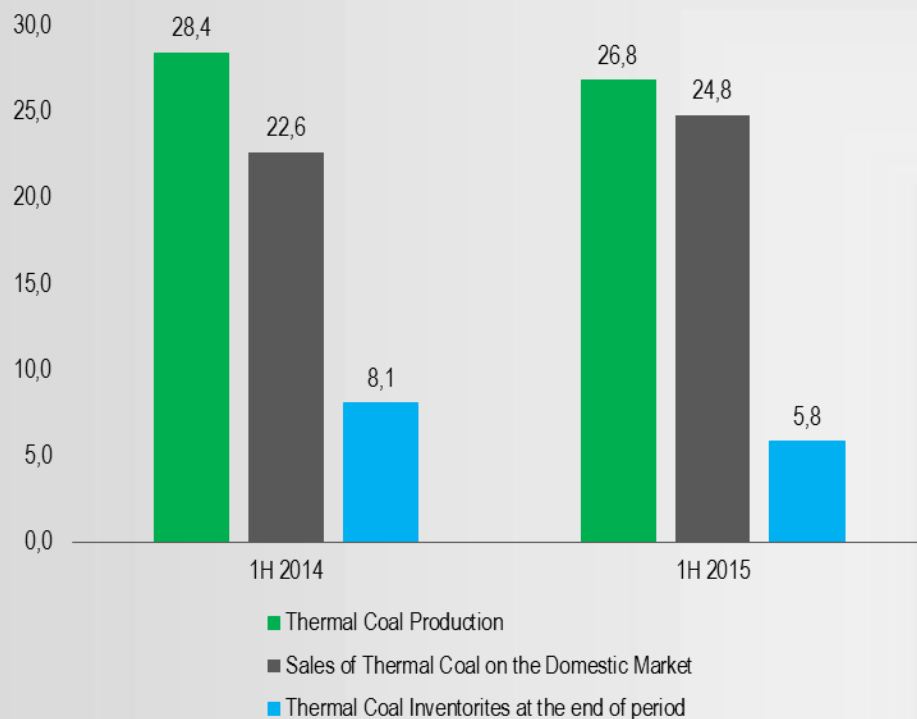
PERFORMANCE OF POLISH COMPANIES*

- ✓ Silesian mines produced a total of **11.5m tonnes** in Q2 2015, a decrease of **0.5%** in comparison to Q2 2014, and in 1H 2015 **23.0m tonnes** – down **5.1%** in comparison to 1H 2014
- ✓ **Thermal coal inventories** at the mines at the end of Q2 2015 were **5,559.2k tonnes**, a decrease of **2,363.4k tonnes, i.e. 29.8%**, vs. Q2 2014. Comparing the change of thermal coal inventories in mines at the end of Q2 2015 to Q1 2015 it decreased by 2,085 tonnes, or 27.3%. In Q2 2015 the amount of coal stockpiled at commercial power plants increased
- ✓ In Q2 2015 **domestic sales of thermal coal were 11,099.0k tonnes** (67.3% of total sales of coal), up **30.0% (i.e. 2,558.1k tonnes)** from Q2 2014, and in 1H 2015 **21,059.0k tonnes vs. 18,299.9k tonnes** (up 15.1%, i.e. 2,759.2k tonnes)
- ✓ The average **cost of thermal and coking coal** in Q2 2015 was **PLN 308.81/t**, a decrease of over **10.3%** in Q2 2014, and in 1H 2015 the cost was **PLN 318.64/t** – a decrease of **4.4%** vs. 1H 2014.

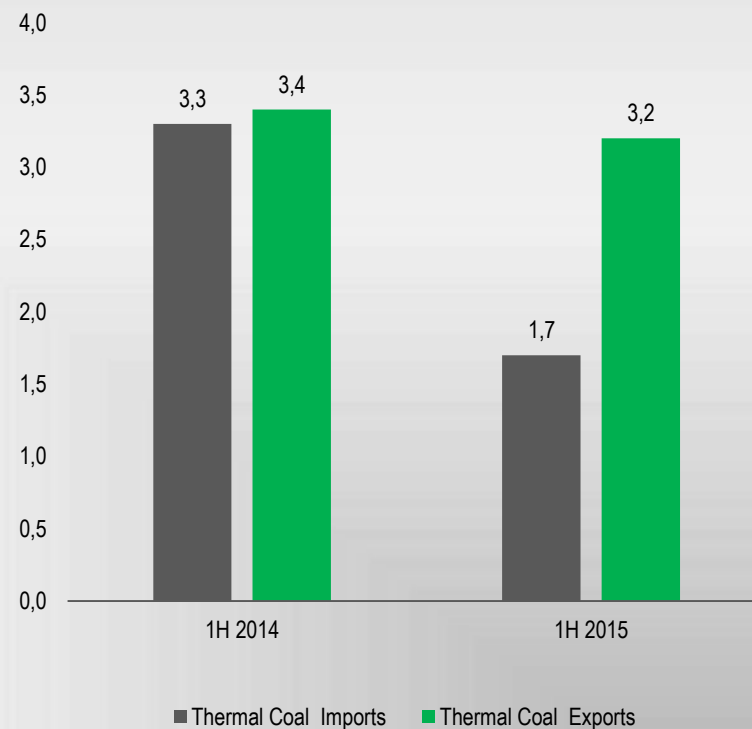
... AS A FACTOR AFFECTING LEVELS OF COAL PRODUCTION, SALES AND INVENTORIES



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



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



*data do not include Silesia, Siltech, Ekoplus
Source: ARP

MARKET POSITION OF LW BOGDANKA S.A.



MARKET SHARE [2010 – 2015]



AGENDA



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3. **Financial highlights**

4. Plan for 2015 and assumptions for 2016-2020

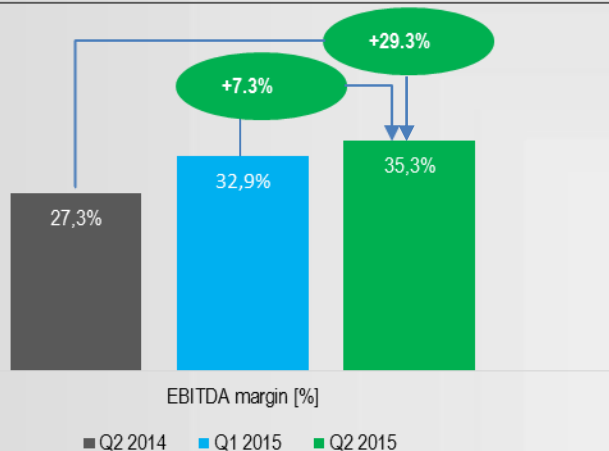
5. Appendices – Financial information



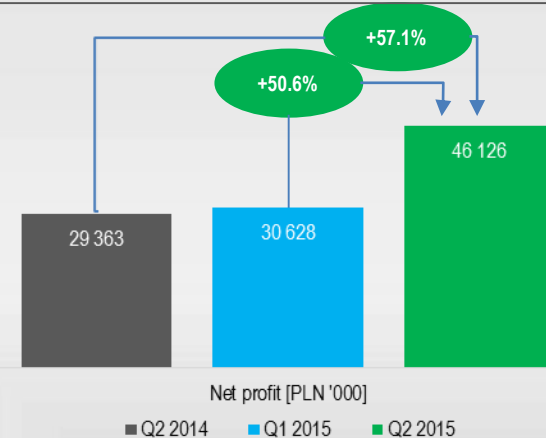
POSITIVE IMPACT OF COST OPTIMISATION AND CAPEX REDUCTION ON THE COMPANIES RESULTS – Q1 2015

Thanks to flexibility (outsourcing), cost controls, and optimization of capex, the company achieved high EBITDA margin despite the difficult situation on the coal market and the aggressive price policy applied by KW S.A.

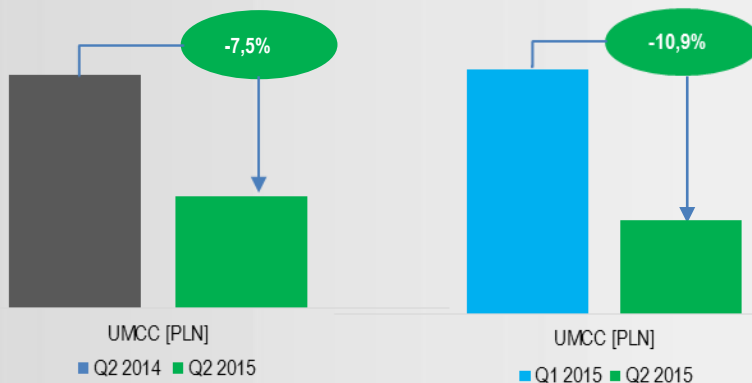
EBITDA margin about 35.3% in Q2 2015, up from 32.9% in Q1 2015 and 27.3% in Q2 2014



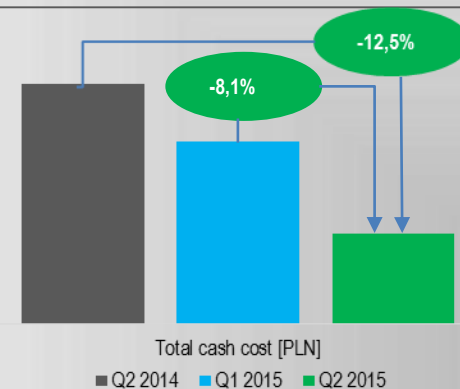
Net profit of PLN 46m in Q2 2015, compared to PLN 31m in Q1 2015 and PLN 29m in Q2 2014



UMCC 10.9% lower in Q2 2015 than in Q1 2015 and 7.5% lower than in Q2 2014



Total cash cost = UMCC + capex/tonne – down 8.1% from Q1 2015 and 12.5% from Q2 2014

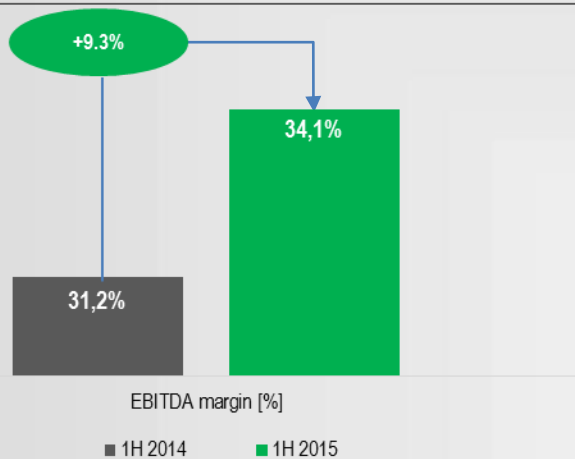




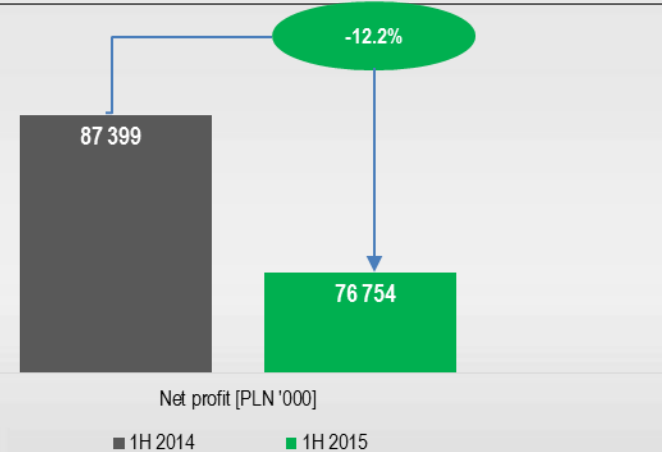
POSITIVE IMPACT OF COST OPTIMISATION AND CAPEX REDUCTION ON THE COMPANIES RESULTS – 1H 2015

Thanks to flexibility (outsourcing), cost controls, and optimization of capex, the company achieved high EBITDA margin despite the difficult situation on the coal market and the aggressive price policy applied by KW S.A.

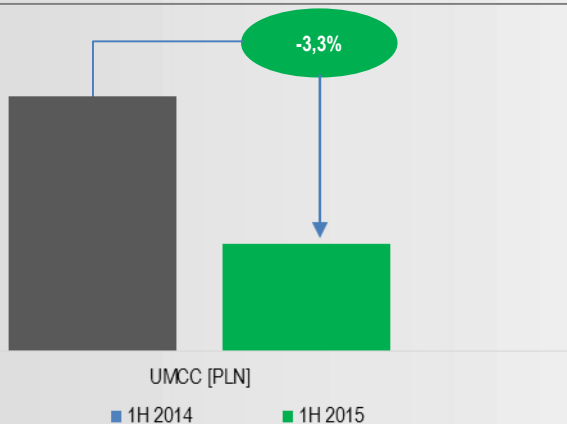
EBITDA margin of 34.1% in 1H 2015, up from 31.2% in 1H 2014, an increase of 9.3%



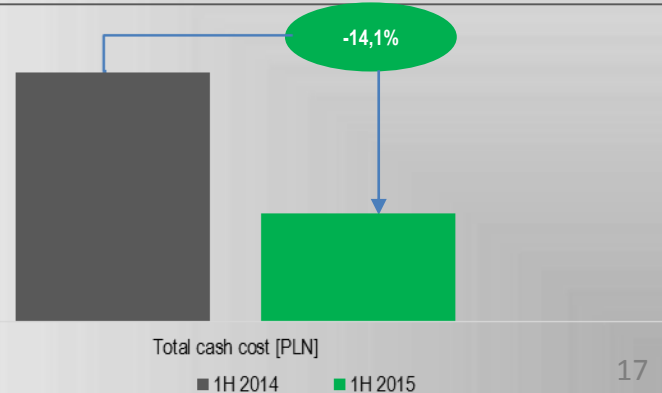
Net profit of PLN 77m in 1H 2015, compared to PLN 87m in 1H 2014, a decline of 12.2%



UMCC down 3.3% from 1H 2014 to 1H 2015



Total cash cost = UMCC + capex/tonne – down 14.1% in 1H 2015 compared to 1H 2014



LW BOGDANKA GROUP RESULTS FOR Q2 2015 AND Q2 2014, 1H 2015 AND 1H 2014

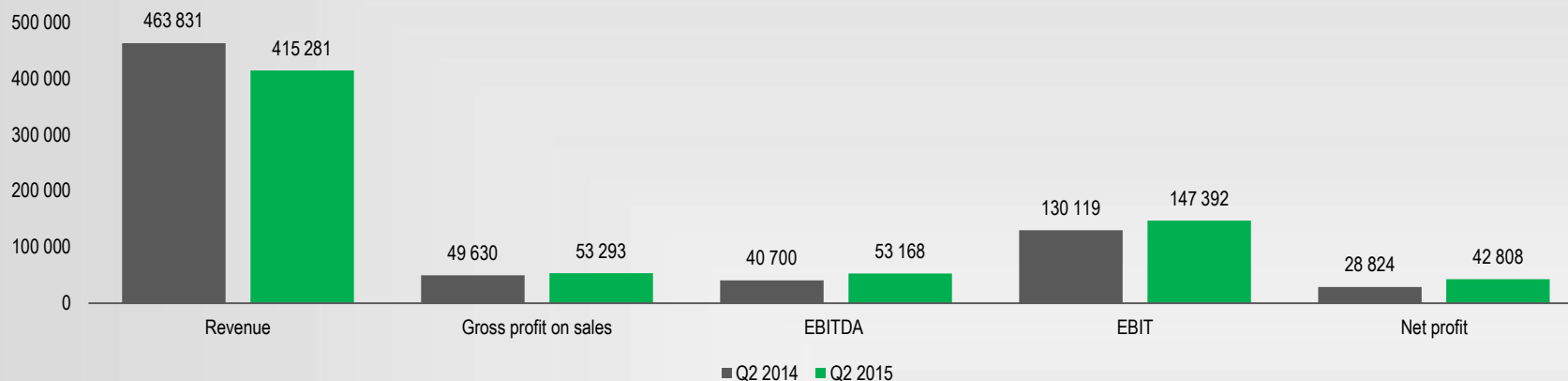


Item	Unit	Q2 2015	Q2 2014	Change % (Q2 2015/ Q2 2014)	1H 2015	1H 2014	Change % (1H 2015/ 1H 2014)
Technical and operating data							
Gross production	'000 tonnes	2,784	3,092	-10.0%	5,758	6,435	-10.5%
Net production	'000 tonnes	1,901	2,015	-5.7%	3,891	4,253	-8.5%
Coal sales	'000 tonnes	1,876	2,102	-10.8%	3,821	4,327	-11.7%
Inventories (end of period)	'000 tonnes	376	143	+162.9%	376	143	+162.9%
New workings (by length)	km	4.9	7.1	-31.0%	10.2	16.4	-37.8%
Coal yield	%	68.3%	65.2%	+4.8%	67.6%	66.1%	+2.3%
Financial data							
Revenue	PLN '000	415,281	463,831	-10.5%	843,560	945,371	-10.8%
Gross profit on sales	PLN '000	53,293	49,630	+7.4%	99,747	134,735	-26.0%
EBITDA	PLN '000	147,392	130,119	+13.3%	291,787	304,268	-4.1%
EBITDA margin	%	35.5%	28.1%	+26.3%	34.6%	32.2%	+7.5%
EBIT	PLN '000	53,168	40,700	+30.6%	101,320	126,658	-20.0%
EBIT margin	%	12.8%	8.8%	+45.5%	12.0%	13.4%	-10.4%
Net profit	PLN '000	42,808	28,824	+48.5%	75,498	91,424	-17.4%

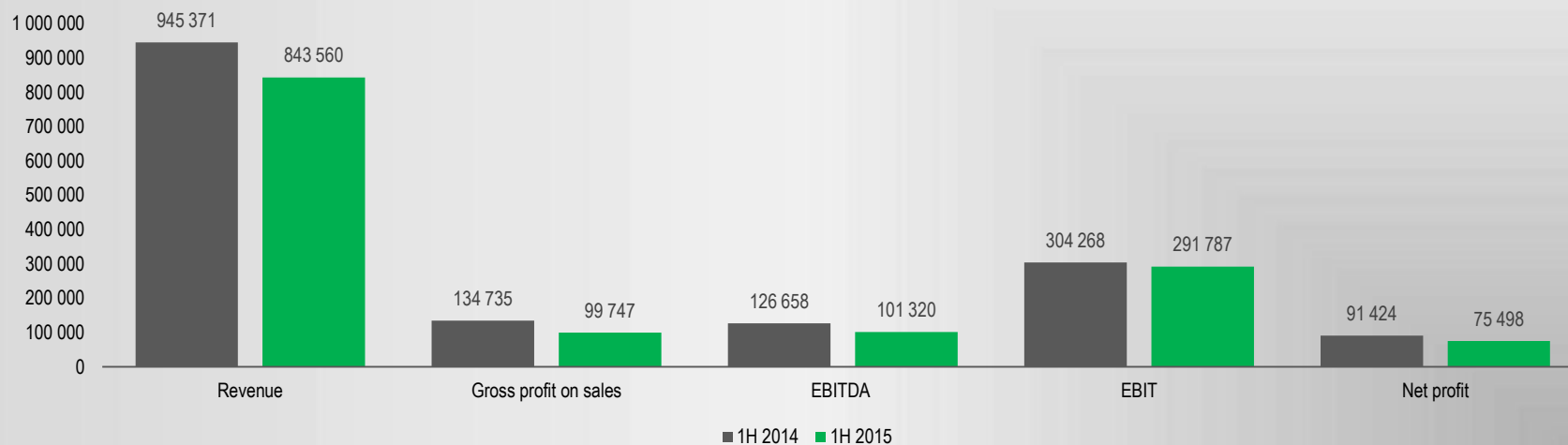
LW BOGDANKA GROUP RESULTS FOR Q2 2014 AND Q2 2015, 1H 2014 AND 1H 2015 – CONT.



RESULTS FOR Q2 2014 AND Q2 2015 [PLN '000]



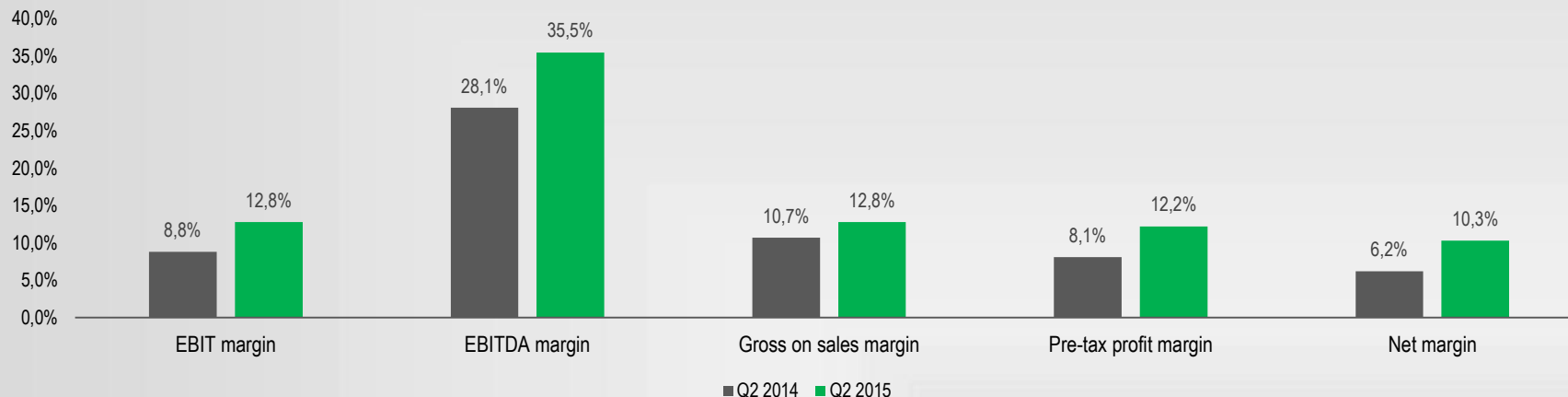
RESULTS FOR 1H 2014 AND 1H 2015 [PLN '000]



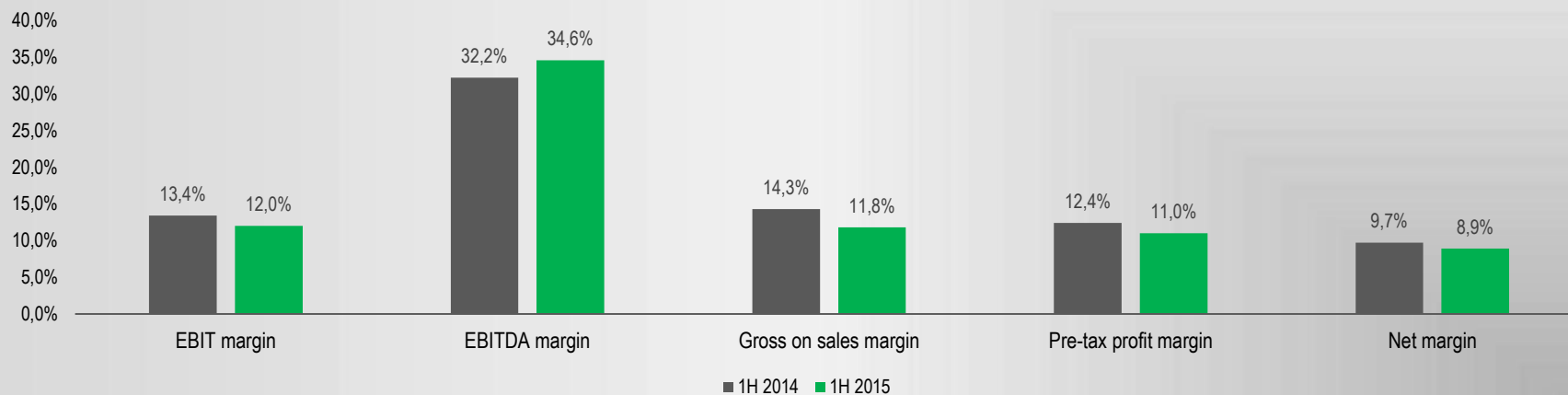
MARGINS FOR Q2 2014 AND Q2 2015, 1H 2014 AND 1H 2015



MARGINS IN Q2 2014 AND Q2 2015



MARGINS IN 1H 2014 AND 1H 2015



LW BOGDANKA GROUP RESULTS FOR Q2 2015 AND Q2 2014, 1H 2015 AND 1H 2014



Revenues

In 1H 2015 the Group generated sales revenue of **PLN 844m** (a **decline of 10.8%** compared to 1H 2014)

✓ The volume of net extraction fell by 8.5% compared to 1H 2014 (adjusting net production to suit level of coal sales)

Cost of products, goods and materials sold

In 1H 2015 the costs of products, goods and materials sold decreased by 9.2% compared to the same period of the previous year, to PLN 680m.

✓ A **decline in costs by nature of 11.1% (12.8% q/q)** and including amortization, by **15.3% y/y (17.1% q/q)**, on a **net decline in production of 8.5%**

Sales and administration expenses

Total sales and administration expenses in 1H 2015 were **PLN 64m**, down **4.0%** from the same period of 2014 (PLN 67m), and in Q2 2015 alone were down 6.0% compared to Q2 2014

EBITDA

EBITDA for Q2 2015 was PLN 147m (margin 35.5%) compared to PLN 130m (**margin 28.1%**) in Q2 2014. For the 1st half the Group generated an EBITDA margin of **34.6%**, i.e. **2.4 p.p.** higher than in 1H 2014. As a result of lower sales volume EBITDA for 1H 2015 fell to **PLN 292m**, i.e. **4.1%**, from 1H 2014 (PLN 304m).

Operating profit (EBIT)

Operating profit in 1H 2015 was **PLN 101m** (**down 20.0%** from 1H 2014). The **EBIT margin** was **12.0%** in 1H 2015 (1.4 p.p. lower than in 1H 2014).

Net profit

In 1H 2015 the Group earned a **net profit 17.4% lower** than in 1H 2014, at **PLN 75m (2015) vs PLN 91m (2014)**.

BREAKDOWN OF LW BOGDANKA S.A.'S COSTS BY NATURE IN 2015



LW BOGDANKA S.A.'S COSTS BY NATURE IN Q2 2015 AND Q2 2014, 1H 2015 AND 1H 2014

Item [PLN '000]	Q2 2015	Q2 2014	1H 2015	1H 2014	CHANGE [Q2 2015 / Q2 2014]	CHANGE [1H 2015 / 1H 2014]
Depreciation and amortization	92,939	89,058	187,902	176,775	+4.4%	+6.3%
Materials and energy	86,654	110,245	193,292	233,726	-21.4%	-17.3%
External services	79,405	117,965	169,140	235,148	-32.7%	-28.1%
Employee cost and benefits	116,759	114,671	236,953	246,366	+1.8%	-3.8%
Entertainment and advertising	1,958	2,328	4,119	4,514	-15.9%	-8.8%
Taxes and charges	7,466	7,560	17,149	17,380	-1.2%	-1.3%
Other expenses	853	805	15,987	14,096	+6.0%	+13.4%
Costs by nature	386,034	442,632	824,542	928,005	-12.8%	-11.1%
Activities for the Company's own needs	-42,188	-60,190	-94,900	-126,630	-29.9%	-25.1%
Accruals and deferrals	19,124	26,929	22,589	22,578	-29.0%	0.0%
Value of coal produced from excavations	-15,442	-20,412	-32,897	-49,488	-24.3%	-33.5%
Provisions and other presentation adjustments (IAS)	8,360	7,891	26,879	21,202	+5.9%	+26.8%
Total production costs	355,888	396,850	746,213	795,667	-10.3%	-6.2%
Change in products	2,118	15,811	-7,494	15,181	-86.6%	-1494%
Value of goods and materials sold	3,138	2,690	5,469	5,188	16.7%	+5.4%
Own cost of production sold, including	361,144	415,351	744,188	816,036	-13.1%	-8.8%
Costs of products, goods and materials sold	329,254	381,431	679,765	748,898	-13.7%	-9.2%
Selling costs	9,395	10,439	18,800	20,323	-10.0%	-7.5%
Administrative costs	22,495	23,481	45,623	46,815	-4.2%	-2.5%



LW BOGDANKA S.A.'S COSTS BY NATURE

Total costs by nature in H1 2015 – PLN 825m – decreased from H1 2014 of 11.1%, i.e. PLN 103m

Cash costs (without amortization) – down 15.3%, i.e. PLN 115m

Gross extraction – decline of 10.5%

Length of workings down 38% (10.2 km in 2015 vs. 16.4 km in 2014)

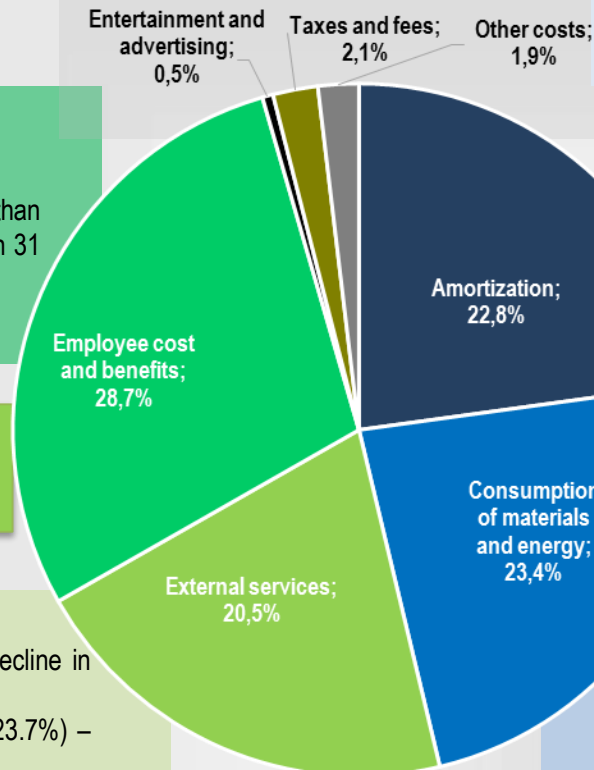
3.8% decrease in value of employee expenses:

- ✓ Average salary at level of H1 2014
- ✓ Headcount at 30 June 2015 of 4,720, i.e. 200 less than on 30 June 2014 and 300 less at 31 July 2015 than on 31 Dec. 2014

Total value of payments for employees and drilling-mining services (outsourcing) fell y/y by 10.2%

Decline in value of external services by 28.1%:

- ✓ Reduction in costs of shipment of rock (25.2%) – decline in volume in connection with lower production
- ✓ Reduction in value of drilling and mining services (23.7%) – reduction of length of workings by 6.2 km
- ✓ Reduction of costs of rail transport services (26.6%) – (lower sales volume, where LWB was to ensure transport to the customer) – these costs are reinvoiced to the customer (neutral impact on EBIT)



Decline in taxes and fees by 1.3% y/y – lower exploitation fee

Value of amortization grew by 6.3%:

- ✓ Increase in value of tangible fixed assets by PLN 330,191k, to PLN 3,483,615k
- ✓ Natural amortization lower in H1 2015 than in H1 2014
- ✓ Completion of investment program connected with doubling of the Company's production capacity

17.3% decrease in value of materials and energy consumed:

- ✓ Decline in value of materials consumed by 22.2% (mainly on the part of preparation divisions)
- ✓ Growth of costs of energy consumption by 3.3%, caused by growth in the average cost of purchasing electricity and greater capacity of installed equipment (inter alia ZPMW)

LW BOGDANKA CAPITAL GROUP'S BALANCE-SHEET PROVISIONS



GROUP'S ON-BALANCE-SHEET PROVISIONS AT THE END OF Q2 2015, Q1 2015 AND Q2 2014

Item [PLN '000]	As at 30.06.2015	As at 31.03.2015	As at 30.06.2014	Change 30.06.2015/ 31.03.2015 [%]	Change 30.06.2015/ 30.06.2014 [%]
Employee provisions	245,260	252,108	214,015	-2.7%	+14.6%
Liabilities under local property tax	25,390	22,687	32,581	+11.9%	-22.1%
Mine decommissioning provision	112,784	119,927	101,248	-6.0%	+11.4%
Mining damage	7,907	8,493	12,230	-6.9%	-35.3%
Accident insurance premium (ZUS)	18,066	17,740	10,440	+1.8%	+73.0%
Other	25,635	27,534	24,555	-6.9%	+4.4%
TOTAL	435,042	448,489	395,069	-3.0%	+10.1%

LW BOGDANKA CAPITAL GROUP'S BALANCE-SHEET PROVISIONS CONT.



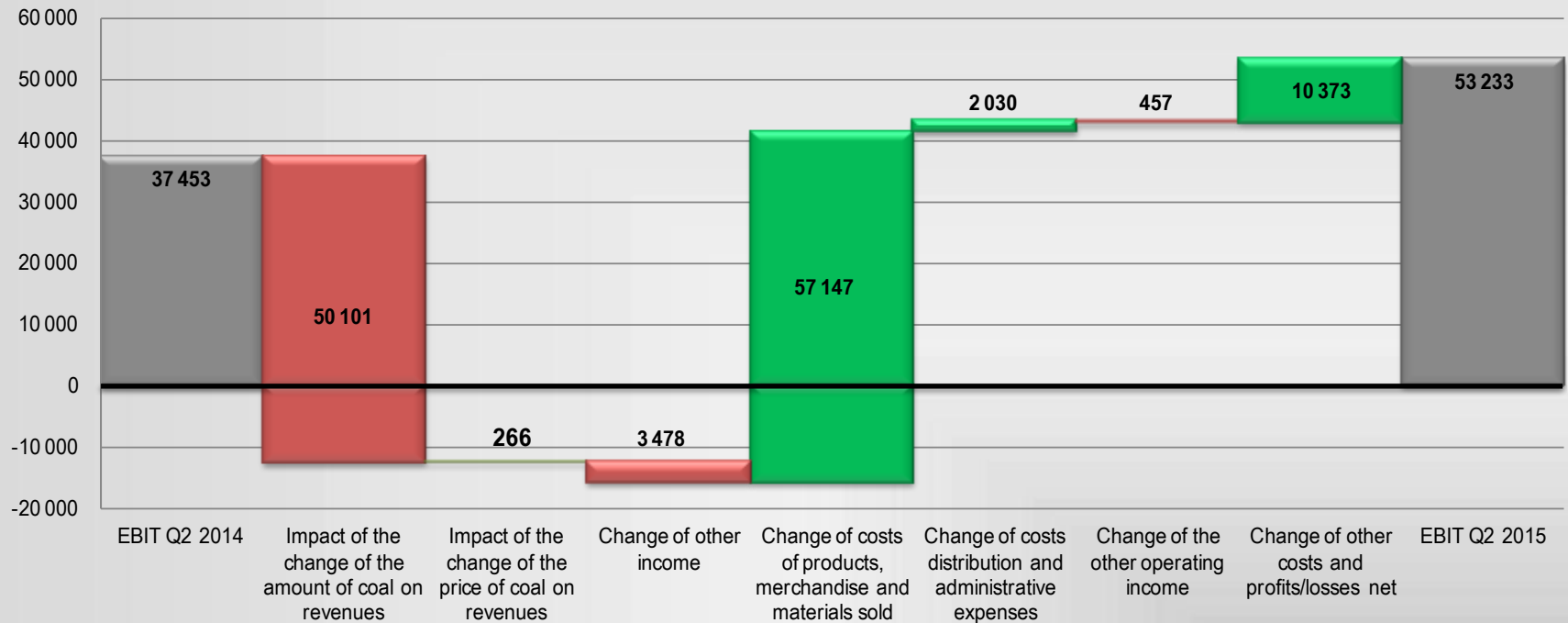
CHANGE IN GROUP'S PROVISIONS IN 1H 2015 AND 1H 2014

Item [PLN '000]	Change in 1H 2015	Change in 1H 2014	Change 2015/2014 [%]
Employee provisions	+18,536	+13,985	+32.5%
Liabilities under local property tax	+2,132	+4,735	-55.0%
Mine decommissioning provision	-10,801	+15,970	-
Mining damage	-1,248	-703	+77.5%
Accident insurance premium (ZUS)	+2,165	+10,440	-79.3%
Other	+340	+497	-31.6%
TOTAL	+11,124	+44,924	-75.2%

ANALYSIS OF CHANGE IN EBIT OF LW BOGDANKA FOR Q2 2015 vs Q2 2014



Variance analysis of EBIT of LWB – Q2 2015/Q2 2014 (PLN '000)



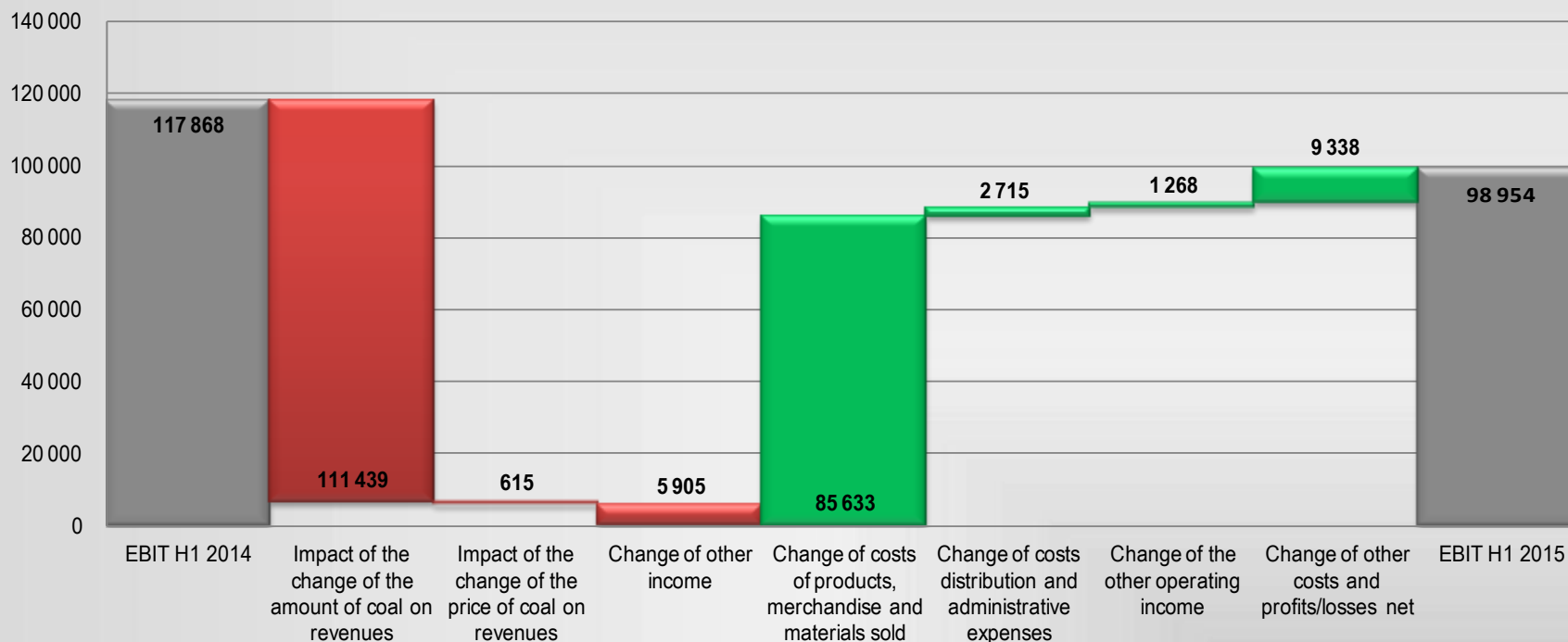
Factors contributing to change in EBIT:

- ✓ Decline in sales volume by 226k tonnes (10.8%)
- ✓ Sale price of coal a bit higher than in Q2 2014
- ✓ Reduction of cash cost by PLN 60m
- ✓ Decrease in costs of products, good and materials sold by PLN 57m

ANALYSIS OF CHANGE IN EBIT OF LW BOGDANKA FOR H1 2015 vs H1 2014



Variance analysis of EBIT of LWB – H1 2015/H1 2014 (PLN '000)



Factors contributing to change in EBIT:

- ✓ Decline in sales volume by 506k tonnes (11.7%)
- ✓ Sale price of coal a bit lower than in H1 2014
- ✓ Reduction of cash cost by PLN 115m
- ✓ Decrease in costs of products, good and materials sold by PLN 86m

AGENDA

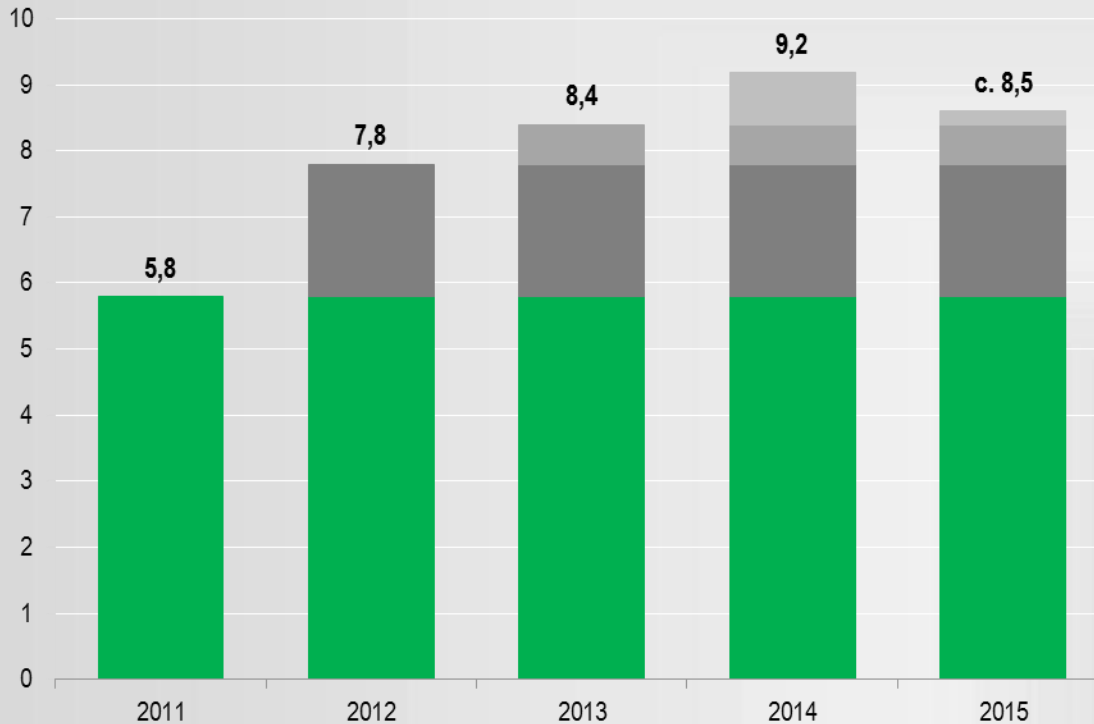


1. Key operating data
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MAINTAINING OF PRODUCTION TARGETS FOR 2015



SALES ASSUMPTIONS FOR 2015



- ✓ Sales assumptions in 2015 call for production of about 8.5m tonnes of coal, maintaining production capacities at 10.5 – 11.5m tonnes
- ✓ A risk has materialized of reduction of volumes in contracts with customers controlled by the State Treasury
- ✓ Commercial negotiations are still being conducted in Ukraine
- ✓ LW Bogdanka has reinforced its sales team and is working on winning contracts with small and medium-sized customers

ASSUMPTIONS OF SAVINGS PROGRAM FOR 2015



In connection with forecasts of further pressure on global coal prices and the oversupply on the Polish market caused by the aggressive pricing policy of the state-subsidized KW S.A., Bogdanka adopted for implementation the restructuring program for 2015.

The key objective is to “secure cash” through significant savings in costs and investment plans, on the basis of three key elements:



Optimization of
production plan

about 8.5m tonnes



Significant reduction in ‘permanent’
headcount and outsourced services

- 400



Cut of Capex
by further PLN 80m
to the level of

PLN 360m



OPTIMIZATION OF THE COMPANY'S OPERATIONS AND AGREEMENT WITH TRADE UNIONS

Modification of production plan for 2015 provides for:

- Reduction of preparatory works to **maximum 21.2 km - 10.2 km in 1H 2015** vs. 16.4 km in 1H 2014, on the basis of the production plan of **about 8.5 million tonnes in 2015**. The Company does not lose the ability to increase production in 2016.
- Maintaining **cost flexibility** by reduction of work on Saturdays
- Conducting preparatory works so as to enable the soonest possible optimization of production mix, consisting in **increasing the share of cutter-loader face** in the overall extraction

Optimization of headcount in 2015:

- Reduction of headcount by **400 people** in 2015: **-210 persons** by 30 June 2015 and **-300 as of the end of July 2015** (4630 employees as against 4930 at the beginning of the year)
- Reduction in headcount in the 2nd half of the year mainly through retirement of employees
- According to the Company's information, because of the reduction in outsourcing, companies cooperating with LW Bogdanka have let go more than 290 people (not pensioners) – e.g. **RG Bogdanka – 140 people**

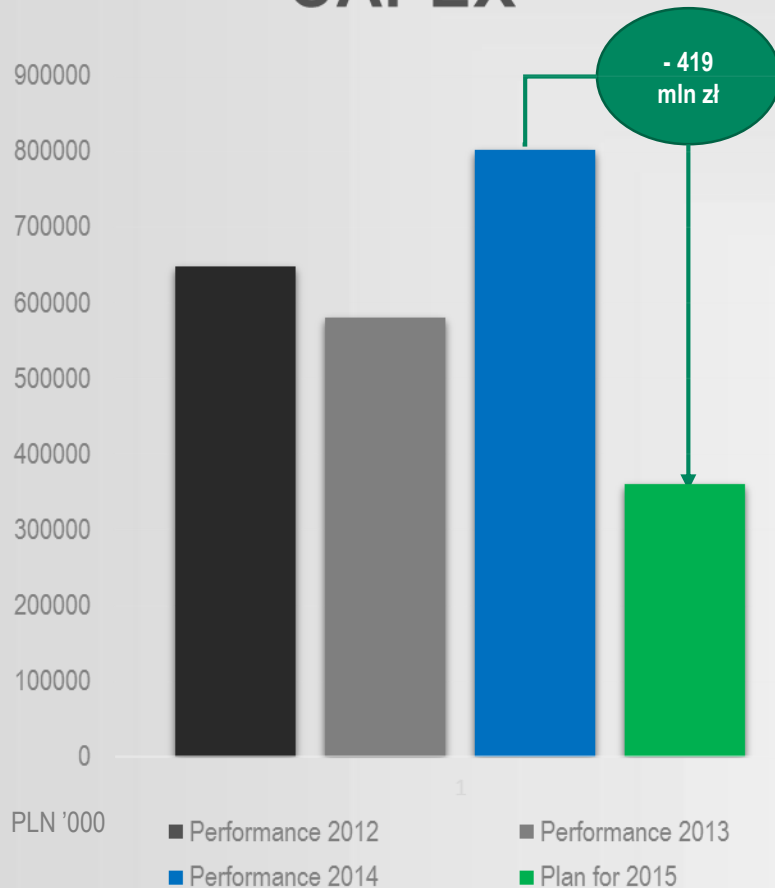
Agreement with trade unions:

- Agreement** signed on **4 August 2015** ending the collective dispute with the Company
- Limitation of outsourcing** of preparation work, in favour of performance of the work by the Company's own employees in order to **secure production capacity** at the appropriate level in future years
- Maintaining the average salary at the 2013 level** with the possibility of a one-off bonus at the end of the year, depending on the financial situation and the level of contracting for 2016

FURTHER REDUCTION OF CAPEX IN 2015



CAPEX



Further reduction of the investment plan for 2015 by a total of approx. PLN 200m (reduction by next PLN 80m in relation to assumptions from June):

- ✓ Under the revision, the investment plan is currently for about **PLN 361m**
- ✓ Reduction of the investment program includes the following investments:
 - ✓ Purchase of machinery and equipment (**about –PLN 23m**)
 - ✓ New workings (**about –PLN 48m**)
- ✓ Reduction of preparation work translating into a reduction in the length of workings planned in 2015 to **21.2 km**, a reduction compared to 2014 of **8.6 km**

LW BOGDANKA'S GROUP CAPEX IN 1H 2015 AND BUDGET FOR 2015



Item [PLN '000]	Plan for 2015	Updated plan for 2015	Actual capex in 1H2015	Realization of the plan [%]	Plan change
Obtaining new concessions*	49,972	44,969	1,440	3.2%	-5,003
Modernization and repair of machinery and equipment	100,090	42,633	24,554	57.6%	-57,457
Other operating investments	99,878	72,504	29,387	40.5%	-27,374
Purchase and assembly of longwall systems	1,750	3,087	3,047	98.7%	+1,337
New workings and modernization of existing workings	309,112	198,196	94,770	47.8%	-110,916
TOTAL CAPEX FOR LW BOGDANKA**	560,802	361,389	153,198	42.4%	-199,413
ŁĘCZYŃSKA ENERGETYKA AND OTHER SUBSIDIARIES	19,897	19,897	8,378	42.1%	0
TOTAL CAPEX FOR GK LW BOGDANKA	580,699	381,286	161,576	42.4%	-199,413

*The plan for 2015 reflects the full value of fees for use of geological information, which is payable in instalments and spread out over a longer period. The full value of geological information is PLN 27,988,733. In 2015 the payment anticipated to be due immediately after signing of the contract for use of geological information is 10% of the contract value. The remaining portion will be payable in ten annual instalments beginning from the year in which the company obtains a concession for extraction.

**The sum of capital expenditures does not reflect the capitalized costs of external financing.

PROJECT FOR ACQUIRE NEW CUSTOMERS



PRINCIPLES OF PROJECT

- Gaining several dozen clients annually using from several thousand to tens of thousands of tonnes of coal
- Customers with water/steam boiler installations
- Customers—manufacturing firms where coal represents about half of production costs
- Starting point for contracts is samples of 25 to 250 tonnes
- Offer price established on the basis of annual consumption of coal—small in classes 21 to 23
- Shipment by rail with unloading and delivery
- Also achieving increased awareness of the existence of the mine

STATE OF PERFORMANCE

- Establishment of direct commercial relations with a total of several dozen entities, some of whom conduct joint purchasing—in total over a dozen sales offers
- Several sample deliveries have been made to test the combustion of the coal, generating positive results
- Offers based on DDP in truck and rail/truck shipments
- Further offers and sample deliveries in preparation

STATE OF PERFORMANCE – MARKETING

- Emphasis on direct meetings with customers
- Participation in industry fairs
- Production of advertising materials presenting the mine and the product line
- Work on new form of contracts and sales programs

SUMMARY



Production in 1H 2015 was adjusted to suit sales capabilities resulting from the schedule of deliveries to main customers. At the same time we are maintaining production assumptions for FY 2015 at 8.5m tonnes.



In connection with the difficult situation on world markets (oversupply of coal, falling commodity prices) and on the Polish market (sell-off of inventories by KW S.A.), there is strong pressure from customers on prices and sales volumes.



The Company has introduced the next phase of the its savings program, calling for significant reduction of investment expenditures, reduction of headcount, and savings on external services.



Despite the difficult situation on the coal market and lower sales volume, the Company achieved high level of EBITDA margin (34,1%) thanks to the consistent implementation of the cost optimization program (UMCC in Q2 2015 fell by 10.9% compared to Q1 2015).



Until the coal market normalizes, the Company is focusing on securing financial liquidity with average leveraging: net debt/EBITDA on 30 June 2015 at 0.8.



LW Bogdanka has reinforced its sales team and is working on winning contracts with small and medium-sized customers.

THANK YOU



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AGENDA

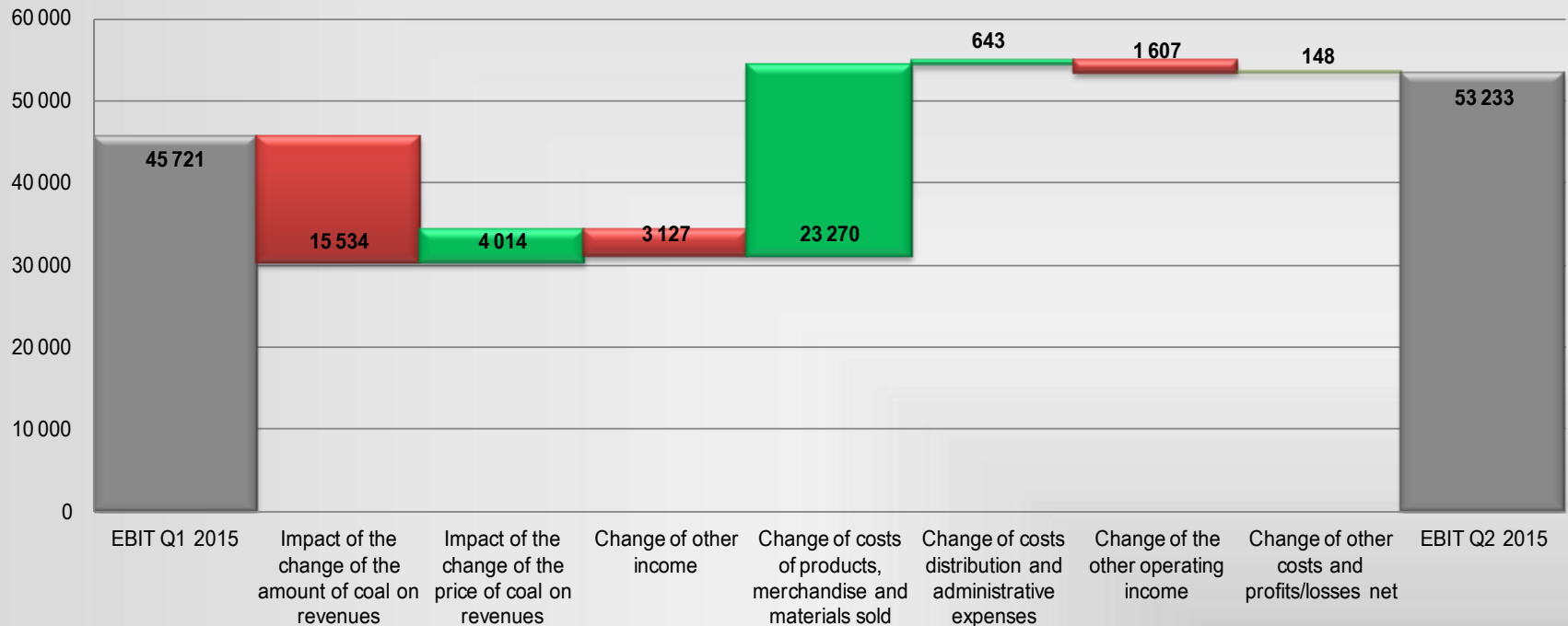


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ANALYSIS OF CHANGE IN EBIT OF LW BOGDANKA FOR Q2 2015 vs Q1 2015



Variance analysis of EBIT of LWB – Q2 2015/Q1 2015 (PLN '000)



Factors contributing to change in EBIT:

- ✓ Decline in sales volume by 70k tonnes (3.6%)
- ✓ Sale price of coal in Q2 2015 a bit higher than in Q1 2015
- ✓ Reduction of cost expenses by PLN 50m
- ✓ Decrease in costs of products, good and materials sold by PLN 23m

CHANGES IN PROVISIONS AT LW BOGDANKA CAPITAL GROUP AND THEIR IMPACT ON FINANCIAL RESULT



CHANGES IN PROVISIONS AT LW BOGDANKA CAPITAL GROUP 1H 2015 AND IN 1H 2014 AND THEIR IMPACT ON FINANCIAL RESULT IN THE ANALYZED PERIOD

Item [PLN '000]	Change in provisions in 1H 2015	Impact on financial result in 1H 2015	Change in provisions in 1H 2014	Impact on financial result in 1H 2014
Employee provisions	+18,536	-34,926	+13,985	-29,765
Liabilities under local property tax	+2,132	- 4,587	+4,735	- 4,735
Mine decommissioning provision	-10,801	- 3,258	+15,970	- 5,175
Mining damage	-1,248	-	-703	-
Accident insurance premium (ZUS)	+2,165	- 2,165	+10,440	-10,440
Other	+340	- 571	+497	- 1,196
TOTAL	+11,124	- 45,507	+44,924	- 51,311

CHANGES IN PROVISIONS AT LW BOGDANKA CAPITAL GROUP AND THEIR IMPACT ON FINANCIAL RESULT



CHANGES IN PROVISIONS AT LW BOGDANKA CAPITAL GROUP IN Q2 2015 AND THEIR IMPACT ON FINANCIAL PROFIT/LOSS IN THE ANALYZED PERIOD

Item [PLN '000]	Change in provisions in Q2 2015	Change reflected in operating activity (EBITDA)	Change reflected below operating result – interest	Including:		
				Change reflected only in balance sheet – increase in balance sheet value of fixed assets	Change reflected in Other Total Income	Change reflected only in balance sheet – use of provisions
Employee provisions	-6,848	+12,435	+1,308	-	-12,504	-8,087
Liabilities under local property tax	+2,703	+2,703	-	-	-	-
Mine decommissioning provision	-7,143	+688	+850	-8,681	-	-
Mining damage	-586	-	-	-	-	-586
Accident insurance premium (ZUS)	+326	-62	+388	-	-	-
Other	-1,899	-1,777	+109	-	-	- 231
TOTAL	-13,447	+13,987	+2,655	-8,681	-12,504	-8,904

CHANGES IN PROVISIONS AT LW BOGDANKA CAPITAL GROUP AND THEIR IMPACT ON FINANCIAL RESULT



CHANGES IN PROVISIONS AT LW BOGDANKA CAPITAL GROUP IN 1H 2015 AND THEIR IMPACT ON FINANCIAL RESULT IN THE ANALYZED PERIOD

Item [PLN '000]	Change in provisions in 1H 2015	Change reflected in operating activity (EBITDA)	Change reflected below operating result – interest	Including:		
				Change reflected only in balance sheet – increase of balance sheet value of fixed assets	Change reflected in Other total Income	Change reflected only in balance sheet – use of provisions
Employee provisions	+18,536	+32,290	+2,636	-	-887	-15,503
Liabilities under local property tax	+2,132	+4,587	-	-	-	-2,455
Mine decommissioning provision	-10,801	+1,559	+1,699	-14,059	-	-
Mining damage	-1,248	-	-	-	-	-1,248
Accident insurance premium (ZUS)	+2,165	+1,538	+627	-	-	-
Other	+340	-	+571	-	-	-231
TOTAL	+11,124	+39,974	+5,533	-14,059	-887	-19,437

ANALYSIS OF THE CONSOLIDATED INCOME STATEMENT OF LW BOGDANKA CAPITAL GROUP



Item [PLN '000]	Q2 2015	Q2 2014	Change (Q2 2015/ Q2 2014)	1H 2015	1H 2014	Change (1H 2015/ 1H 2014)
Revenue	415,281	463,831	-10.5%	843,560	945,371	-10.8%
Cost of products, merchandise and materials sold, distribution cost, administrative expenses	361,988	414,201	-12.6%	743,813	810,636	-8.2%
Gross profit	53,293	49,630	+7.4%	99,747	134,735	-26.0%
<i>Gross margin</i>	12.8%	10.7%	+19.6%	11.8%	14.3%	-17.5%
Other income	198	750	-73.6%	2,016	828	+143.5%
Other expenses	115	528	-78.2%	383	999	-61.7%
Net operating profit/loss	53,376	49,852	+7.1%	101,380	134,564	-24.7%
Other net gains	-208	-9,152	-97.7%	-60	-7,906	-99.2%
Operating profit (EBIT)	53,168	40,700	+30.6%	101,320	126,658	-20.0%
<i>EBIT margin</i>	12.8%	8.8%	+45.5%	12.0%	13.4%	-10.4%
EBITDA	147,392	130,119	+13.3%	291,787	304,268	-4.1%
<i>EBITDA margin</i>	35.5%	28.1%	+26.3%	34.6%	32.2%	+7.5%
Finance income	1,756	2,250	-22.0%	3,262	4,601	-29.1%
Finance costs	4,322	5,368	-19.5%	11,370	14,463	-21.4%
Profit before tax	50,602	37,582	+34.6%	93,212	116,796	-20.2%
<i>Pre-tax profit margin</i>	12.2%	8.1%	+50.6%	11.0%	12.4%	-11.3%
Income tax	7,794	8,758	-11.0%	17,714	25,372	-30.2%
Net profit for the reporting period	42,808	28,824	+48.5%	75,498	91,424	-17.4%
<i>Net margin</i>	10.3%	6.2%	+66.1%	8.9%	9.7%	-8.2%
- attributable to owners of the Dominant Entity	42,822	28,836	+48.5%	75,344	91,217	-17.4%

STATEMENT OF FINANCIAL POSITION OF LW BOGDANKA CAPITAL GROUP



Item [PLN '000]	30.06.2015	31.12.2014
Non-current assets, including:	3,690,290	3,730,165
Cash and cash equivalents	89,947	88,832
Current assets, including:	591,232	634,250
Cash and cash equivalents	222,536	195,481
Total assets	4,281,522	4,364,415
Current liabilities	625,181	669,307
Non-current liabilities	1,173,664	1,171,281
Total liabilities	1,798,845	1,840,588
Equity	2,482,677	2,523,827
Current borrowings	59,786	100,526

CASH FLOWS OF LW BOGDANKA GROUP



Item [PLN '000]	1H 2015	1H 2014
Net cash flows on operating activities	356,835	334,959
Cash inflow from operating activities*	362,892	357,287
Interest received	2,190	2,692
Income tax paid	-8,247	-25,020
Net cash flows on investing activities	-288,171	-316,294
Acquisition of property, plant and equipment	-284,612	-311,512
Interest paid regarding investing activity	-5,425	-5,719
Acquisition of intangible assets	-174	-147
Inflow from the sale of property, plant and equipment	1,461	36
Interest received	1,694	2,279
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	-1,115	-1,231
Net cash flows on financing activities	-41,609	-26,589
Proceeds from loans and borrowings	4,441	18,043
Proceeds from issue of bonds	-	100,000
Repayments of loans and borrowings	-41,247	-140,000
Interest and commissions paid due to financing activities	-4,803	-4,640
Other net cash flow on financing activities	-	8
Net increase (decrease) in cash and cash equivalents	27,055	-7,924
Cash and cash equivalents at beginning of period	195,481	212,004
Cash and cash equivalents at end of period	222,536	204,080
FFO*	68,664	18,665

* sum of cash flows from operating and investing activities

SALES STRUCTURE AT LW BOGDANKA CAPITAL GROUP IN Q2 2015 AND Q2 2014



Item [PLN '000]	Q2 2015	Share [%]	Q2 2014	Share [%]
Coal sales	398,830	96.0%	443,738	95.7%
Ceramics sales	526	0.1%	1,097	0.2%
Other activities	12,712	3.1%	16,295	3.5%
Sales of merchandise and materials	3,213	0.8%	2,701	0.6%
Total revenue	415,281	100.0%	463,831	100.0%

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THANK YOU FOR YOUR ATTENTION

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