

Bogdanka, 20 March 2012

**Ladies and Gentlemen,**

**Shareholders and Stakeholders of Lubelski Węgiel Bogdanka S.A.**

The past calendar and financial year was a time in which we had to confront our bold vision of Company development and growth in goodwill with diverse and complex market realities. The Management Board took it upon themselves to ensure effective and timely progress of investments concerning above-surface infrastructure and underground works, conducted in difficult geological and mining conditions. We bore the tremendous and unprecedented burden of costs related to those investments, as well as the responsibility for the expected effectiveness, efficiency and streamlining of coal mining processes.

With enormous respect for the whole workforce, especially the engineering and technical personnel of LW Bogdanka S.A., and with great satisfaction I am pleased to announce that we closed the past calendar year with coal output greater than in the record-breaking 2010, and the financial year with substantial net profit.

In 2011 the Company fulfilled its key investment objectives. In August the first skip of coal from the Stefanów Field reached the surface. In October the production process commenced in full swing, with November and December noting record monthly yields and Q4 closing with the commercial coal output of 2 million tonnes. Already in February this year the coal-ploughing complex in Stefanów beat the absolute world record, yielding nearly 25 thousand tonnes of coal in 24 hours from a single panel.

Today I am proud to list those accomplishments, bearing in mind that they are a credit to Bogdanka workers, to their commitment, creativity, drive and their proficiency in mining practices, familiarity with geological conditions, their ability to access a deposit and to exploit it using innovative methods. Our operations are founded upon efficient production of power coal, increasing the volume of sales and boosting our share of the commercial power market and, consequently, generating greater shareholder value.

I believe that we have passed this test in building up the foundations of our business with flying colours and I would like to thank everyone for their efforts.

In December 2011 the final chord was struck in the Company's privatisation process, as a result of which in January this year over 3 million employee shares were introduced to trading on the Warsaw Stock Exchange. We were vested with the obligation to execute this operation to the benefit of all shareholders. We prepared the issue prospectus and strived to carry out the process of free-of-charge acquisition of employee shares by eligible individuals fairly. I feel we have completed this task successfully. On the first day of trading on 4 January 2012 the value of Bogdanka's shares rose by over 4 per cent.

Let us take a look back at the past year on the capital markets. Throughout the 12 months it was fraught with volatility and investment risks. We made an effort to hold dialogue with our stakeholders and communicate with the market in such a way as to remain as transparent and predictable as possible, in order to prove that we deserve their confidence. Following the August slump on the Warsaw Stock Exchange, Bogdanka found itself among the businesses who recovered the fastest.

We maintained a constant focus on our development plans, i.e. building fundamental business value and fostering the Company's image. We underwent the verification by Deloitte for the RESPECT Index twice in the past year, each time holding on to our position in this prestigious group of socially responsible companies listed on the WSE. In order to ensure the highest standards of operation, in May 2011 the Code of Ethics for Lubelski Węgiel BOGDANKA S.A. Group was adopted. Moreover, we began the work, completed in February this year, on developing and adopting the Corporate Social Responsibility (CSR) Strategy for LW BOGDANKA S.A.

We face new challenges and new tests in the process of developing the Company and increasing shareholder value. Keeping the planned pace on the path to achieving the annual coal output level of 11.5 million tonnes as of 2014 will require further responsible, yet brave decisions. We are miners. Just as we are able to overcome any challenges posed by geological and mining hazards, we will also be able to meet all objectives we set for ourselves in the near future and in the long-term perspective. We look to 2012 with great optimism.

**Yours faithfully,**

