

# INVESTORS PRESENTATION

1Q 2012

May 2012



LUBELSKI WĘGIEL  
„BOGDANKA”  
SPÓŁKA AKCYJNA

[www.bogdanka.eu](http://www.bogdanka.eu)



# PRESENTING TEAM



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CEO



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CFO



**The Deputy to the  
President of  
Management for  
Technical Affairs**



## Hard coal market

Bogdanka in 1Q2012

Investments in 1Q2012

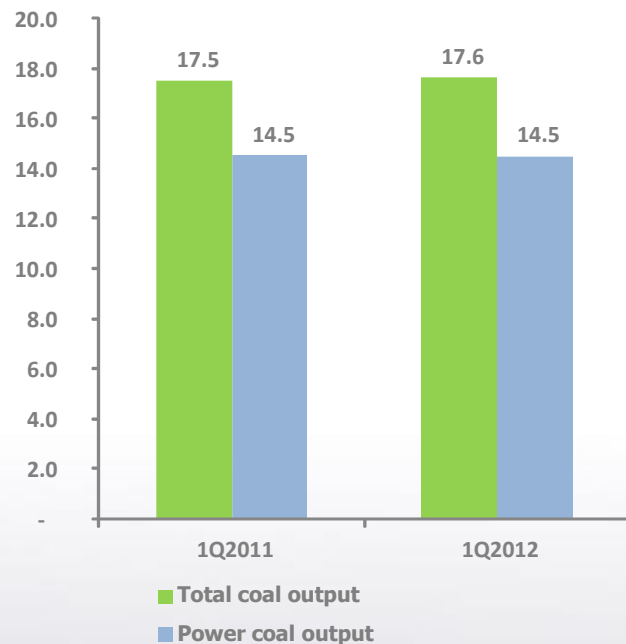
Appendices



- ❑ In Q1 2012 a **decrease in demand** for power coal on the domestic market has been observed. Coal stock is increasing.
- ❑ Over a year power coal prices dropped by 25% on global markets.
- ❑ **An average price** of power coal (in all sizes) in Q1 2012 amounted to PLN 295.93 per tonne and was higher by 10.92% than the price achieved in the previous year.
- ❑ Situation of Silesian companies:
  - ✓ **Extraction of hard coal** in the Silesian companies in Q1 2012 amounted to 17.63 million tonnes and was higher by 0.79% than in the same period of the previous year; this includes the **extraction of power coal** amounting to 14.48 million tonnes, lower from last year's extraction by 0.22%.
  - ✓ **Stock of hard coal** in mines as at the end of March 2012 was 3,685,000 tonnes and was higher by 963,000 tonnes over the first quarter of 2011, while the **stock of power coal** increased by 255,000 tonnes.
  - ✓ In Q1 2012, **the sales of power coal on the domestic market** amounted to 11,828,000 tonnes (75.22% of total coal sales) and were lower by 14.49% (or 2,005,400 tonnes) than in Q1 2011.
  - ✓ **An average cost of coal sold** (of all sizes) in Q1 2012 amounted to PLN 303.93 per tonne and was higher over the analogous period of 2011 by 12.63%.
  - ✓ The level of investments executed in the industry does not allow production to grow significantly in line with the indicated market demand, which results in an increased coal import.



Coal output in the industry  
(million of tonnes)



Power coal sales in the industry  
(million of tonnes)

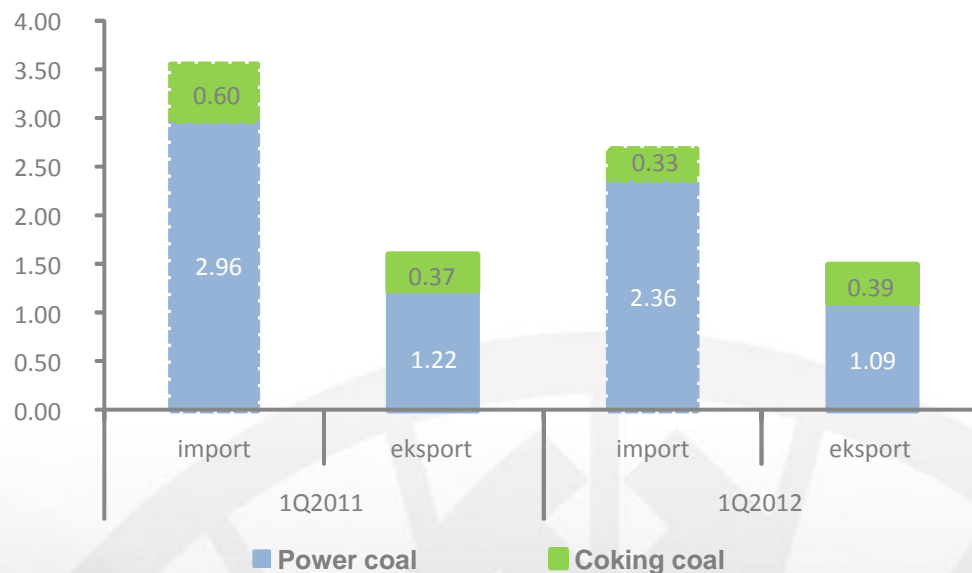


# ...AFFECTS THE STOCK AND IMPORT OF COAL

The stock of hard coal in mines as at the end of period (million of tonnes)



Import and export of coal (million of tonnes)



Hard coal market

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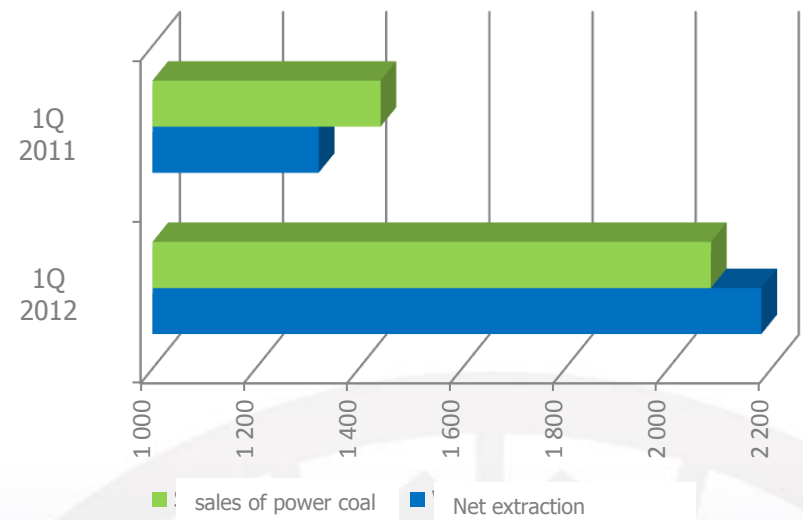
# EXTRACTION OF COMMERCIAL COAL AT LW BOGDANKA IN Q1 2012

✓ **Gross extraction (3.02 million tonnes** in Q1 2012, i.e. a 49.5% increase in comparison to Q1 2011) was executed with the use of maximum power and extraction capacity.

✓ **Net extraction (2.18 million tonnes** in Q1 2012, i.e. a 64.9% increase in comparison with Q1 2011) depends on the intensity of preparatory works (opening new panels) and geological characteristics of the extracted seams — the more uniform, the greater the output.

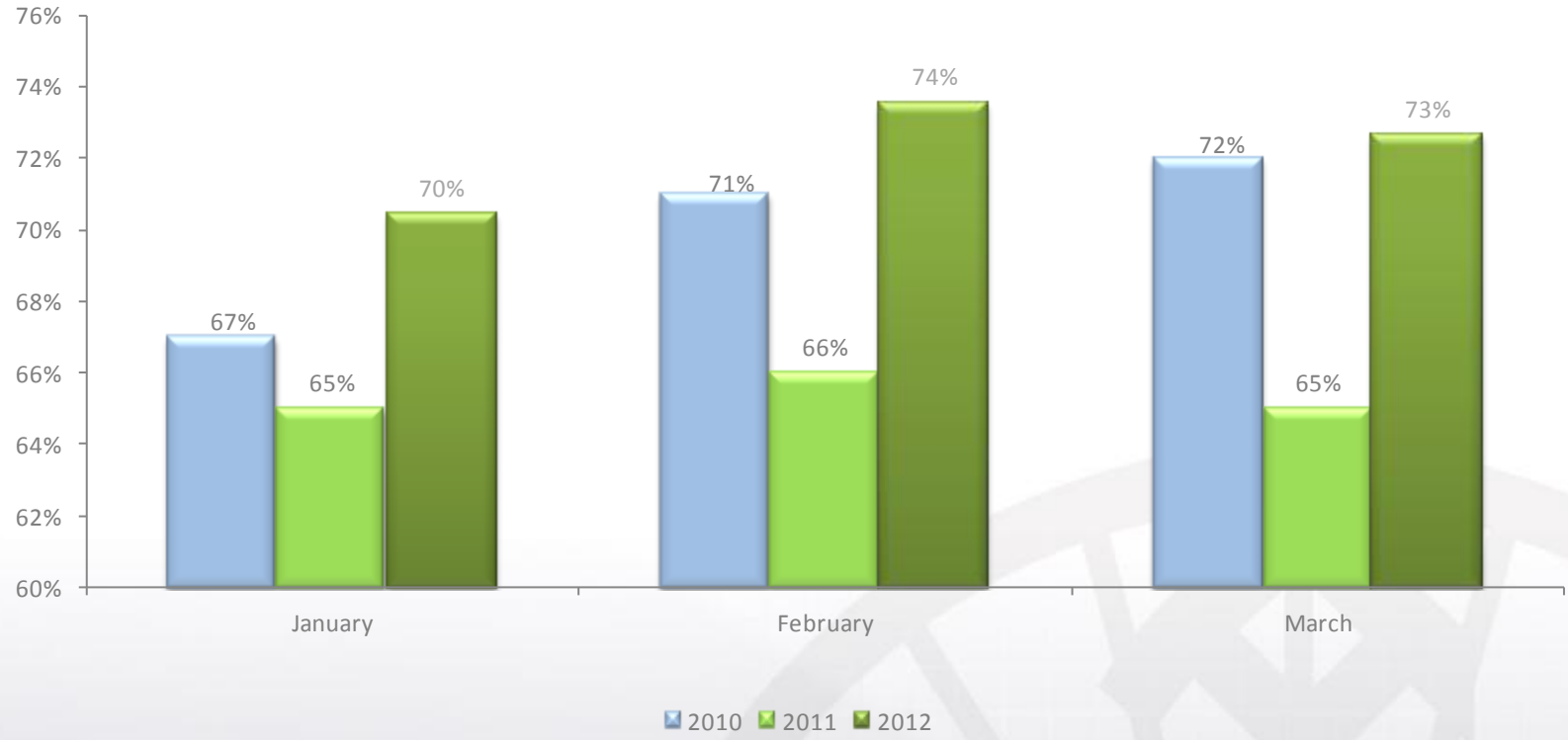
✓ The increase in the extraction of the commercial coal by nearly 65% occurred together with an increase by almost 50% of gross extraction, which means that in Q1 2012 the Company recorded a higher total output ratio than in the analogous period of the previous year.

Analysis of the extraction and sale of coal ('000 tonnes)





## Commercial coal yield



# RESULTS OF THE LW BOGDANKA GROUP FOR 1Q2012

Item (PLN'000)	IQ 2010	IQ 2011	IQ 2012	Change 1Q2012/1Q2010 (%)	Change 1Q2012/1Q2011 (%)
Revenue	294 096	309 961	477 302	62.29	53.99
Gross profit	95 672	72 818	175 929	83.89	141.60
EBITDA	95 261	77 906	199 046	108.95	155.50
EBIT	62 164	43 698	119 297	91.91	173.00
Net profit	52 770	35 958	99 210	88.00	175.91

**Results of the LW BOGDANKA Group  
for IQ 2012, IQ2011, IQ2010 (PLN '000)**



# RESULTS OF THE LW BOGDANKA GROUP FOR Q1 2012



## Revenue on sales:

- In Q1 2012, the Group's sales revenue was by 54% higher than in the same period of the previous year. The increase in total revenue is attributable to higher (by nearly 60%) revenue on sales of coal.
- The increase in the revenue on sales of coal is a consequence of higher volumes of coal sold (+44.4%), with only slightly higher unit sale price.

## Operating expenses:

- An increase in operating expenses of the LW BOGDANKA Group includes primarily the increase in:
  - costs of products, goods and materials sold (by 27.1%) and
  - administrative costs (by 13.3% - due to real property tax, amortisation/depreciation and employment costs).
- The increase in operating expenses at LW BOGDANKA S.A. was primarily attributable to:
  - amortisation/depreciation – increase by 135.9% (a portion of assets previously under production was now put into use);
  - contracted services – increase by 21.2% (higher costs of drilling, mining and similar works, performed mainly in the Stefanów Field);
  - employee benefits – an increase by 14.9% (a consequence of both a higher number of staff from 4,033 at the end of March 2011 to 4,325 at the end of March 2012, as well as the signed agreement on increasing the average monthly pay at the Company by 5.5% in 2012).

## Operating result:

The achievement of higher dynamics of sales revenue in comparison to the change dynamics of operating expenses translated into a growth in the operating profit (EBIT) for Q1 2012 by 173.0% up to the level of PLN 119,297,000.

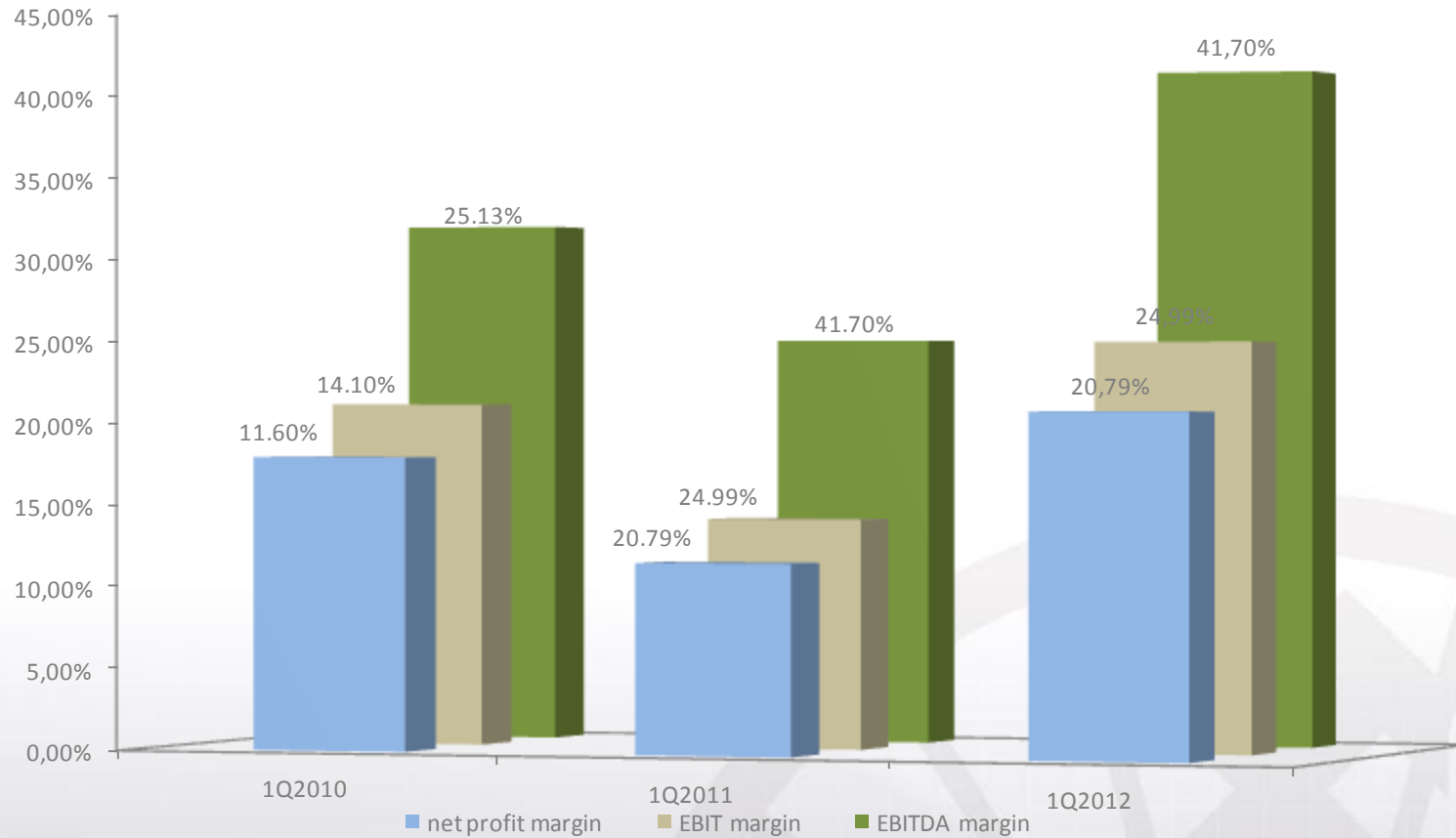
## Gross and net results:

The pre-tax earnings for 3 months of 2012 were higher by 175.9% than in the previous year - the pre-tax profit for Q1 2012 amounted to PLN 123,703,000 as compared to PLN 44,835,000 for the first quarter of 2011.

A mandatory decrease in profit in the form of corporate income tax resulted in the net profit for the period from 1 January to 31 March 2012 amounting to PLN 99,210,000, compared to PLN 35,958,000 for the same period of 2011 - up by 175.91% on a year-to-year basis.



# PROFITABILITY RATIOS



Source: Company

[www.bogdanka.eu](http://www.bogdanka.eu)



# KEY EVENTS IN 1Q2012 AND AFTER THE BALANCE-SHEET DATE

- ✓ January 2012 – introducing free-of-charge shares for eligible employees to the stock-exchange trading;
- ✓ January 2012 - conclusion of a new long-term significant agreement with Elektrownia Kozienice S.A. for the purpose of a Elektrownia Kozienice’s power unit currently under development and conclusion of an annex to the existing long-term agreement;
- ✓ March 2012 – adoption of the CSR strategy for 2012-2015;
- ✓ April 2012 - concluding a significant agreement with PGNIG Termika S.A.;
- ✓ 27 April 2012 – adoption of resolutions by the Annual General Shareholders Meeting regarding:
  - distribution of 2011 net profit – payment of dividend at PLN 4 per share; the remainder allocated to the reserve capital;
  - dividend date set for 18 May 2012;
  - dividend payment date set for 14 August 2012;
  - amendments to the Articles of Association of LW Bogdanka S.A.;
- ✓ Appointment by the Annual General Shareholders Meeting of the Supervisory Board members for the 8<sup>th</sup> term of office;
- ✓ Partial release of the provisions for the real property tax on the value of underground workings;
- ✓ Continued works undertaken with a view to obtaining a new licence.



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# Key material investments of the LW BOGDANKA Group in the 3 months of 2012 and the 3 months of 2011 [PLN '000]

Key material investments of the LW BOGDANKA Group in the 3 months of 2012 and the 3 months of 2011 [PLN '000]	Outlays incurred from 1 January 2012 to 31 March 2012	Outlays incurred from 1 January 2011 to 31 March 2011
Construction and assembly work	71,329	78,928
Completion of deliveries and purchases of finished goods	50,337	5,472
Other	183	259
Prepayments for fixed assets under construction	-	1,828
<b>Total</b>	<b>121,849</b>	<b>86,487</b>



Thank You

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# PROFIT AND LOSS ACCOUNT

(PLN '000)	1Q2012	1Q2011	Change 1Q2012/1Q2011 [%]
<b>Revenue</b>	<b>477 302</b>	<b>309 961</b>	<b>53,99</b>
Cost of products, goods and materials sold, sales and administrative costs	332 091	265 126	25,26
Gross profit on sales	145 211	44 835	223,88
Other revenue	784	1 628	-51,84
Other costs	240	285	-15,79
Operating profit (loss) net	-26 458	-2 480	966,85
EBIT margin (%)	24,99%	14,10%	77,23
<b>EBITDA</b>	<b>199 046</b>	<b>77 906</b>	<b>155,50</b>
EBITDA margin (%)	41,70%	25,13%	65,94%
Financial income	4 409	3 963	11,25
Financial costs	3	2 826	-99,89
Share in profits/(losses) of associated undertakings	-	-	-
Profit before tax	123 703	44 835	175,91
Income tax	24 493	8 877	175,92
<b>Net profit</b>	<b>99 210</b>	<b>35 958</b>	<b>175,91</b>
Net profit margin (%)	20,79%	11,60%	79,22%
<b>- Profit attributable to company's shareholders</b>	<b>99 106</b>	<b>35 860</b>	<b>176,37</b>



(PLN '000)	31.03.2012	31.12.2011
Fixed assets, including:	2 716 395	2 674 216
Cash and cash equivalents	58 628	58 288
Current assets, including:	548 349	402 012
Cash and cash equivalents	216 892	102 820
<b>Total assets</b>	<b>3 264 744</b>	<b>3 076 228</b>
Current liabilities	359 808	307 016
Non-current liabilities	663 080	626 566
<b>Total liabilities</b>	<b>1 022 888</b>	<b>933 582</b>
<b>Equity</b>	<b>2 241 856</b>	<b>2 142 646</b>
Current loans	5 000	-
Non-current loans	386 000	341 000



<b>(PLN'000)</b>	<b>1Q2012</b>	<b>1Q2011</b>
<b>Operating cash flow</b>	<b>202 734</b>	<b>77 562</b>
Operating cash inflow	226 663	88 956
Interest paid	(3)	(2 799)
Income tax paid	(23 926)	(8 595)
<b>Investing cash flow</b>	<b>(138 662)</b>	<b>(189 062)</b>
Acquisition of tangible fixed assets	(133 125)	(192 095)
Interest paid regarding investing activity	(4 850)	-
Acquisition of intangible fixed assets	(183)	(236)
Inflow from the sale of tangible fixed assets	51	37
Other net investing cash flow	(1 297)	-
Interest received	1 082	3 931
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	(340)	(699)
<b>Financing cash flow</b>	<b>50 000</b>	<b>(3 000)</b>
Loans and borrowings received	50 000	-
Loans and borrowings repaid	-	(3 000)
Decrease in cash and cash equivalents	114 072	114 500
Cash and cash equivalents at beginning of period	102 820	472 101
<b>Cash and cash equivalents at beginning of period</b>	<b>216 892</b>	<b>357 601</b>

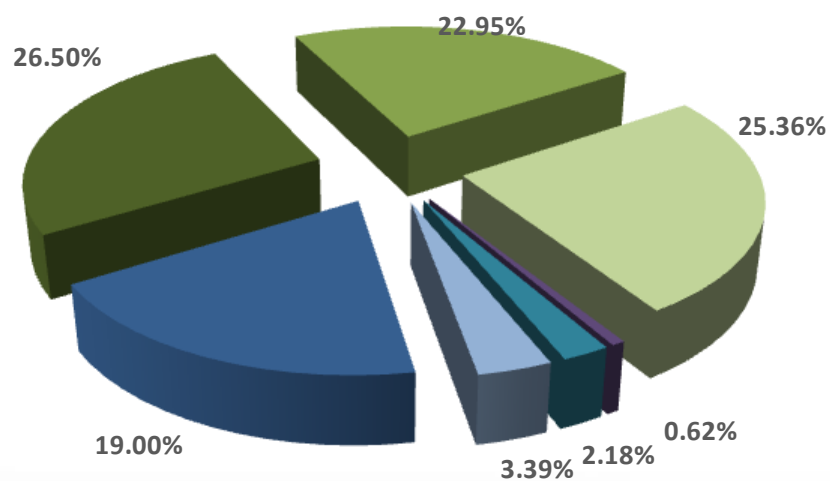


Item (PLN '000)	1Q 2012	Share [%]	1Q 2011	Share [%]
Coal sales	462 340	96.87	289 138	93.28
Sales of ceramics	1 889	0.39	2 039	0.66
Other activities	10 392	2.18	12 704	4.10
Sales of goods and materials	2 681	0.56	6 080	1.96
<b>Total sales revenue</b>	<b>477 302</b>	<b>100.00</b>	<b>309 961</b>	<b>100.00</b>

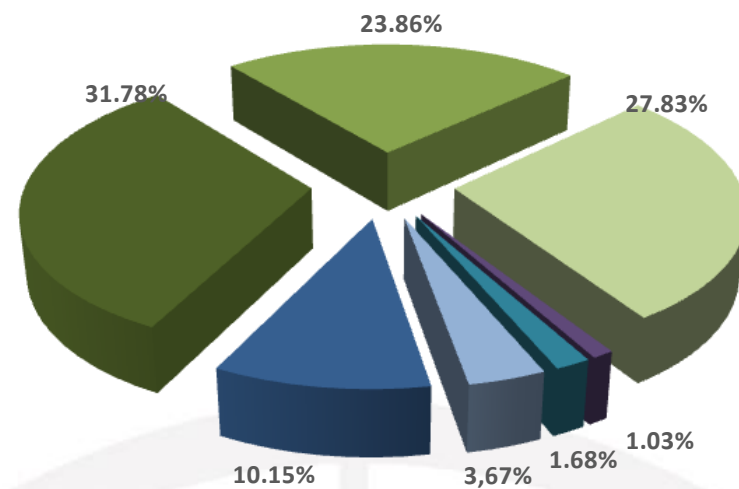


# STRUCTURE OF COSTS BY TYPE AT BOGDANKA

1Q2012



1Q2011



- Depreciation and amortisation
- External services
- Entertainment and advertising expenses
- Other expenses
- Materials and energy consumption
- Employee benefits
- Taxes, fees and charges



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