

INVESTORS PRESENTATION

Y 2011

March 20, 2012



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PRESENTING TEAM



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Technical Affairs



Hard coal market

Bogdanka in 2011

Investments in 2011

Appendices

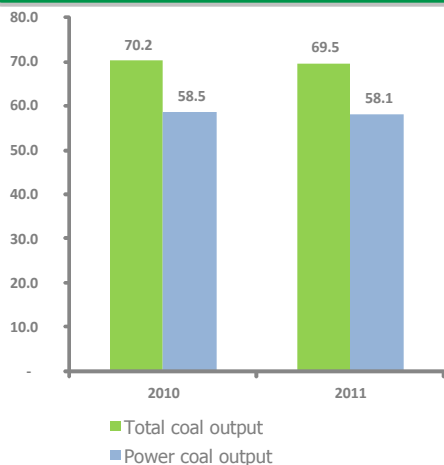


- ❑ In 2011 an **increase in demand** for power coal on the domestic market is observed. Coal reserves on mounds have decreased significantly.
- ❑ **The average price of power coal** (all types) in the industry in 2011 was PLN 278,35 per tonne, was higher by 9.88% compared to the figure for 2010.
- ❑ Situation of Silesian companies:
 - ✓ **Extraction of hard coal** in the Silesian companies in 2011 was 69,54 million tonnes and was lower by 0,88 % than the extraction obtained in the same period of 2010 including **the power coal output** of 58,10 million tonnes, down by 0,68 %.
 - ✓ **The stock of hard coal** in mines at the end of 2011 stood at a level of 2.12 million tonnes and was lower by 1,81 million tonnes as compared to the end of 2010. **Stock of power coal** decreased as at the end of 2011 by 1,98 million tonnes.
 - ✓ **Sales of power coal** during Y 2011 amounted to 54.36 million tonnes (77.87% total sale) and was higher by 10.3% (5.08 million tonnes) as compared to the end of Y 2010.
 - ✓ **An average unit cost** of coal extraction in the Y 2011 in the hard coal sector was PLN 295,17 /tonne and was higher compared to the analogous period of 2010 by 9,24 %.
 - ✓ 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.

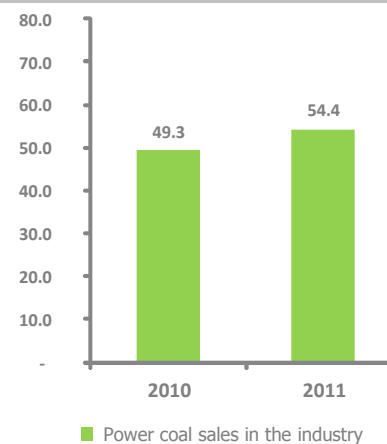


...INFLUENCES THE INCREASE IN COAL IMPORTS

**Coal output in the industry
(million of tonnes)**



**Power coal sales in the industry
(million of tonnes)**



**Import and export of coal
(million of tonnes)**



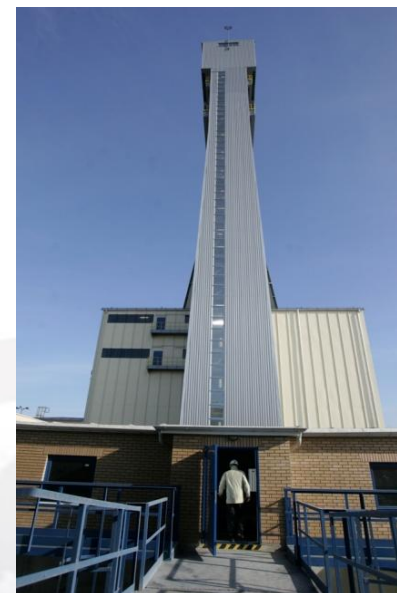
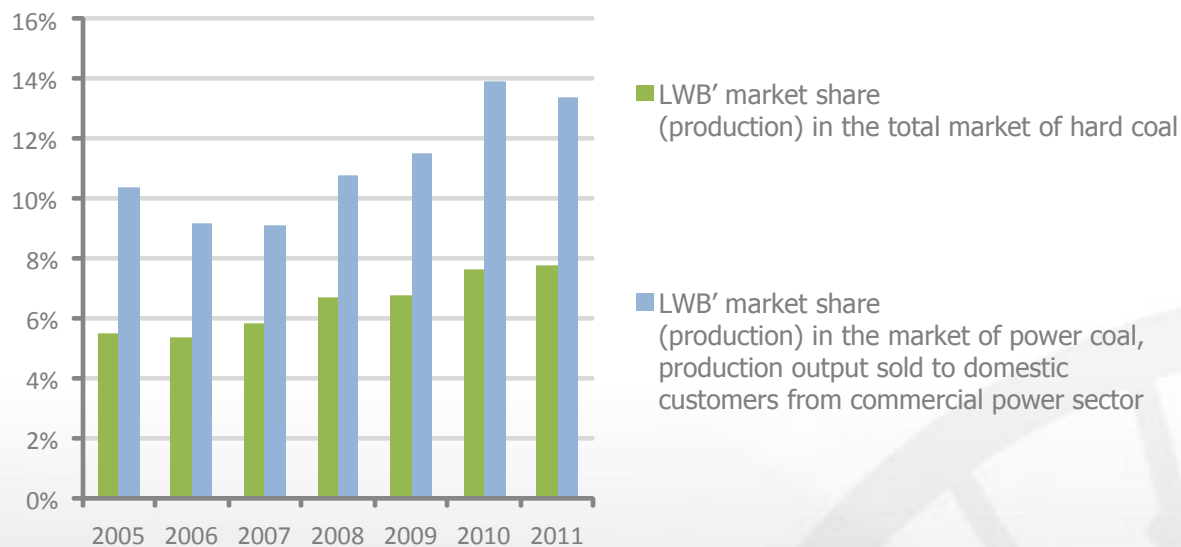
**The stock of hard coal in mines
as at the end of period (thousands of tonnes)**



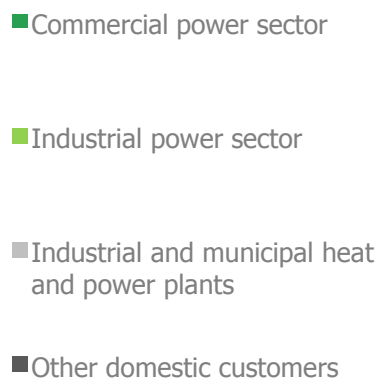
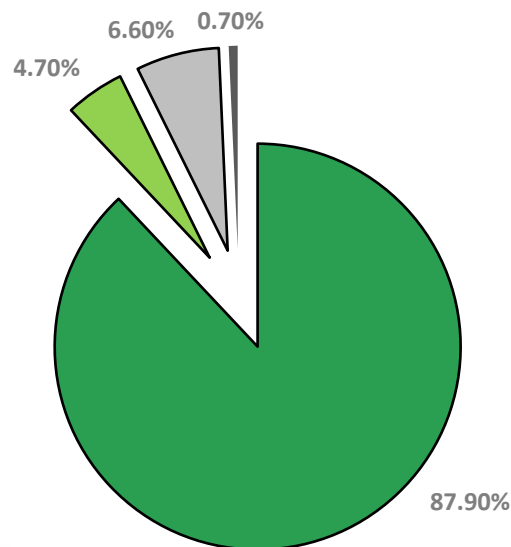
MARKET POSITION OF LW BOGDANKA S.A.



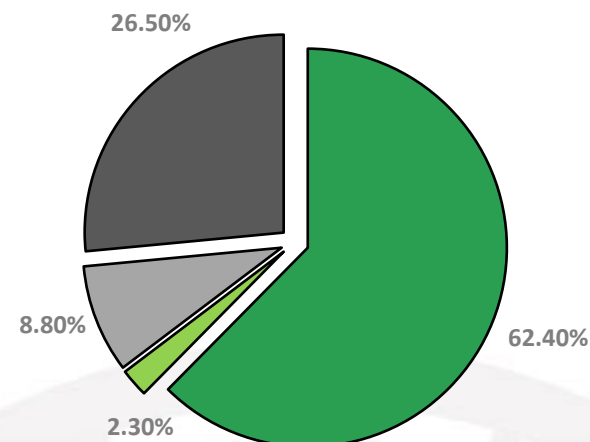
The Company maintains such level of coal production and sales that guarantees its current share in hard coal production in Poland of almost 8%, and more than 13% share in sales of power coal in Poland.



Directions of coal sale in 2011 - LWB



Directions of coal sale in 2011 – other producers



- ✓ LW BOGDANKA S.A. - reliable partner for electric and heat power producers
- ✓ More than 80% of coal sales (in terms of value) were carried out on the basis of long-term commercial agreements between LW BOGDANKA and Elektrownia Koźienice S.A., GDF Suez Energia S.A., Elektrownia Ostrołęka S.A. and the Ożarów Group.
- ✓ Key customers of LW BOGDANKA S.A. – commercial power sector, heat and power plants and industrial power sector



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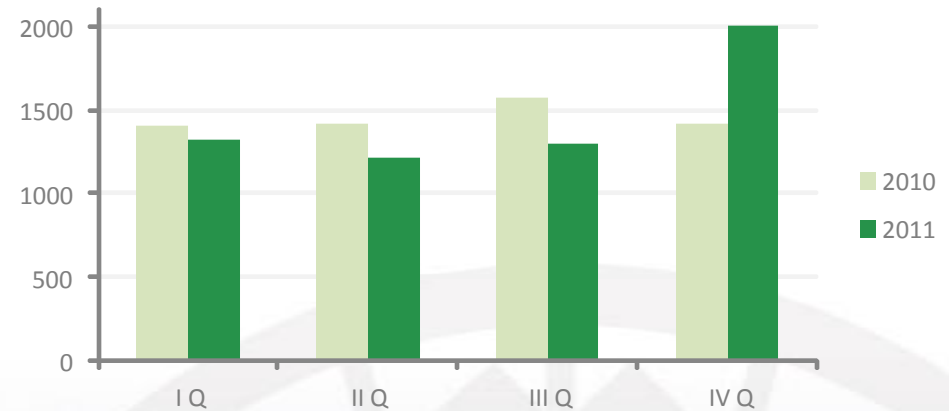
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EXTRACTION OF COMMERCIAL COAL IN 2011 UNDER THE INFLUENCE OF INTENSIFIED PREPARATORY WORKS

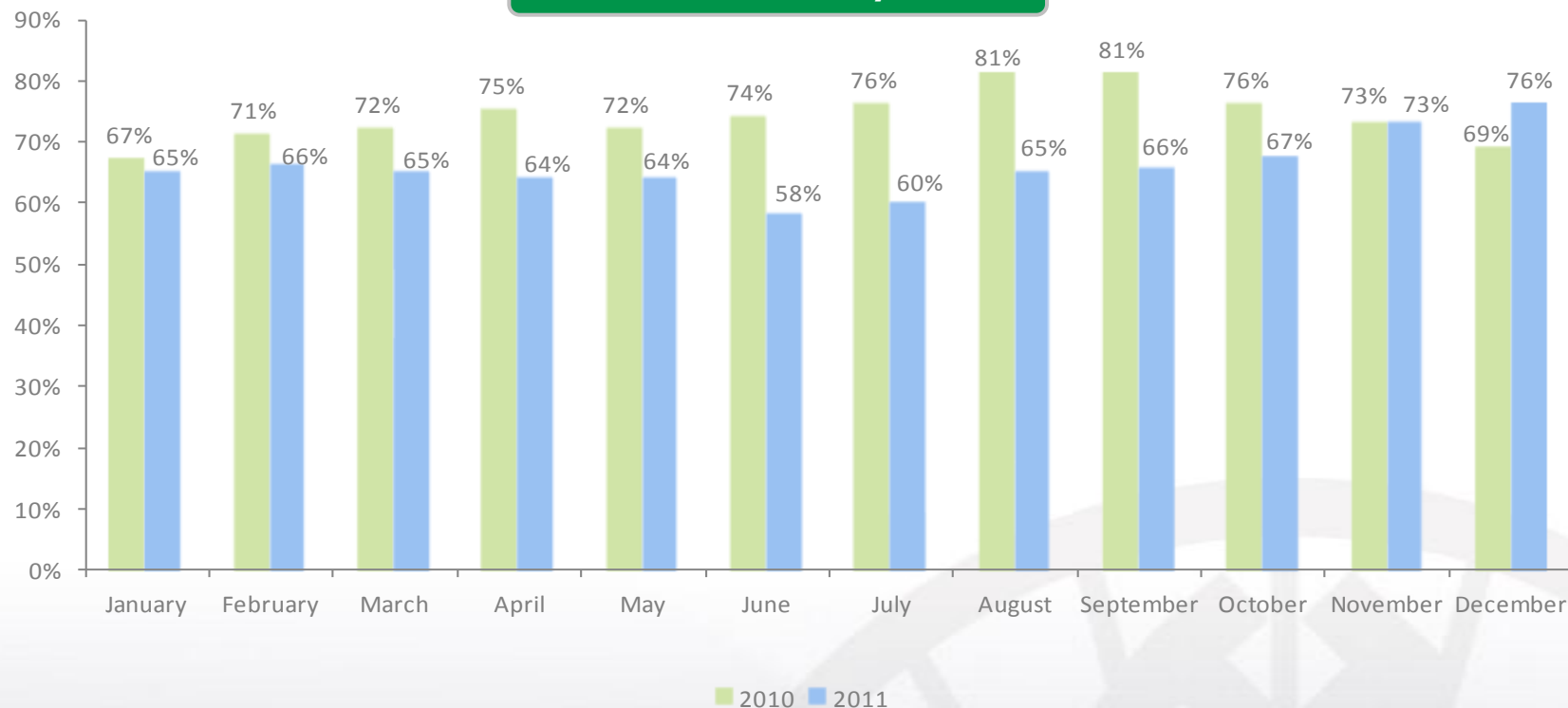
- ✓ **Gross extraction (8.78 million tons** in 2011, i.e. a 12% increase in comparison with 2010) was executed with the use of maximum power and extraction capacity.
- ✓ **Net extraction (5.84 million tons** in 2011, i.e. a 0.7% increase in comparison with 2010) depends on the intensity of preparatory works (opening new panels) and geological characteristics of the extracted seams — the more uniform, the greater the output.
- ✓ The intensification of preparatory works entails the necessity of skipping additional amounts of rock to the surface (**2.94 million tons**).
- ✓ Launching the longwall coal ploughing system in Stefanów in October 2011 enabled a **42% growth** in net extraction in Q4 of 2011 in comparison with the analogous period of 2010.

**Net extraction
w LW BOGDANKA S.A. ('000 tonnes)**



COMMERCIAL COAL EXTRACTION IN Y2011 WITH THE INTENSIFIED PREPARATORY WORKS ...

Commercial coal yield



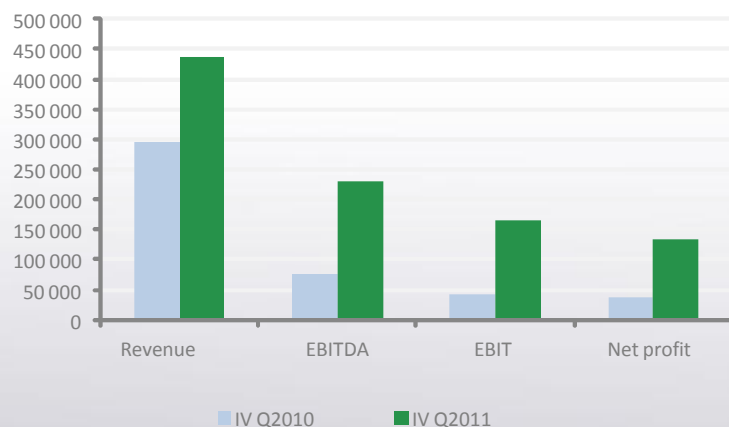
- In October 2011 the longwall coal ploughing system in Stefanów was launched – since November 2011, an improvement in the output ratio can be observed
- LW Bogdanka S.A. expects that the net output in the explored deposit will remain at a level **over 70%**.



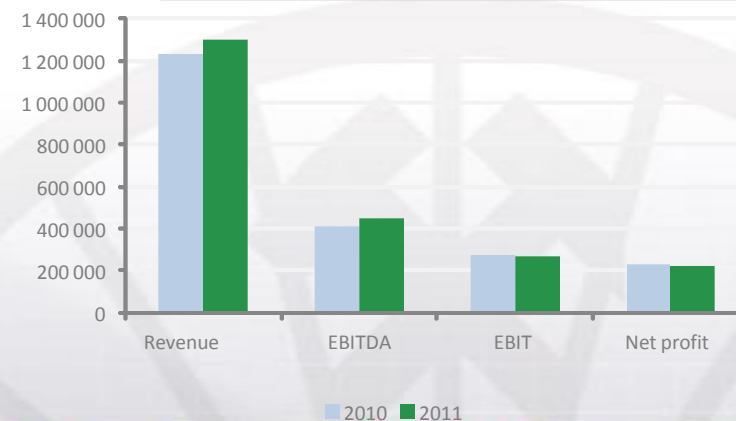
RESULTS OF THE LW BOGDANKA GROUP FOR 2011 (1)

Item (PLN'000)	IVQ 2011	IVQ 2010	Change (%)	2011	2010	Change (%)
Revenue	435 588	296 223	47.05	1 301 349	1 230 447	5.76
Gross profit	201 773	92 452	118.25	384 653	409 684	(6.11)
EBITDA	229 941	77 090	198.28	450 603	414 548	8.70
EBIT	164 048	43 332	278.58	265 739	276 472	(3.88)
Net profit	133 203	37 142	258.63	221 246	230 122	(3.86)

Results of the LW BOGDANKA Group for IVQ 2010/2011 (PLN '000)



Results of the LW BOGDANKA Group for 2010/2011 (PLN '000)



RESULTS OF THE LW BOGDANKA GROUP FOR 2011 (2)



Revenue on sales:

- In 2011, the Group's sales revenue was by 5.76% higher than in the analogous period of the previous year. The increase in total revenue is primarily attributable to higher revenue on sales of coal (by 2.83%) and higher revenue on other activity (by 95.20%).
- The increase in revenue on sales of coal was caused by a higher amount of coal sold (+3.68%), at a slightly higher unit sale price. In the consolidated financial statements published by the Group, the values indicated in the consolidated profit and loss account were adjusted by PLN 99,122,010.00, while in the analogous period of the previous year – by PLN 78,437,700.00.

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 11.7%) and
 - administrative costs (by 14.0% - due to employment costs).
- The increase in operating expenses of the LW BOGDANKA Group was primarily attributable to:
 - amortisation/depreciation – increase by 34.6% (a portion of assets previously under production was now put into use)
 - outsourced services – increase by 29.6% (broader scope of outsourced drilling and mining works)
 - materials and energy used – increase by 13.4% (which is related to a greater scope of preparatory and deposit-opening works – in four quarters of 2011, 1,895.2 running metres of galleries were completed, i.e. approx. 8.5% more than in the analogous period of the previous year).

Operating result:

Achievement of a higher level of sales revenue combined with an increase in operating expenses (pursuance of the development strategy) resulted in a decrease in EBIT by 3.88%, to PLN 265,739,000 (nominal increase in costs was higher than increase in revenue).

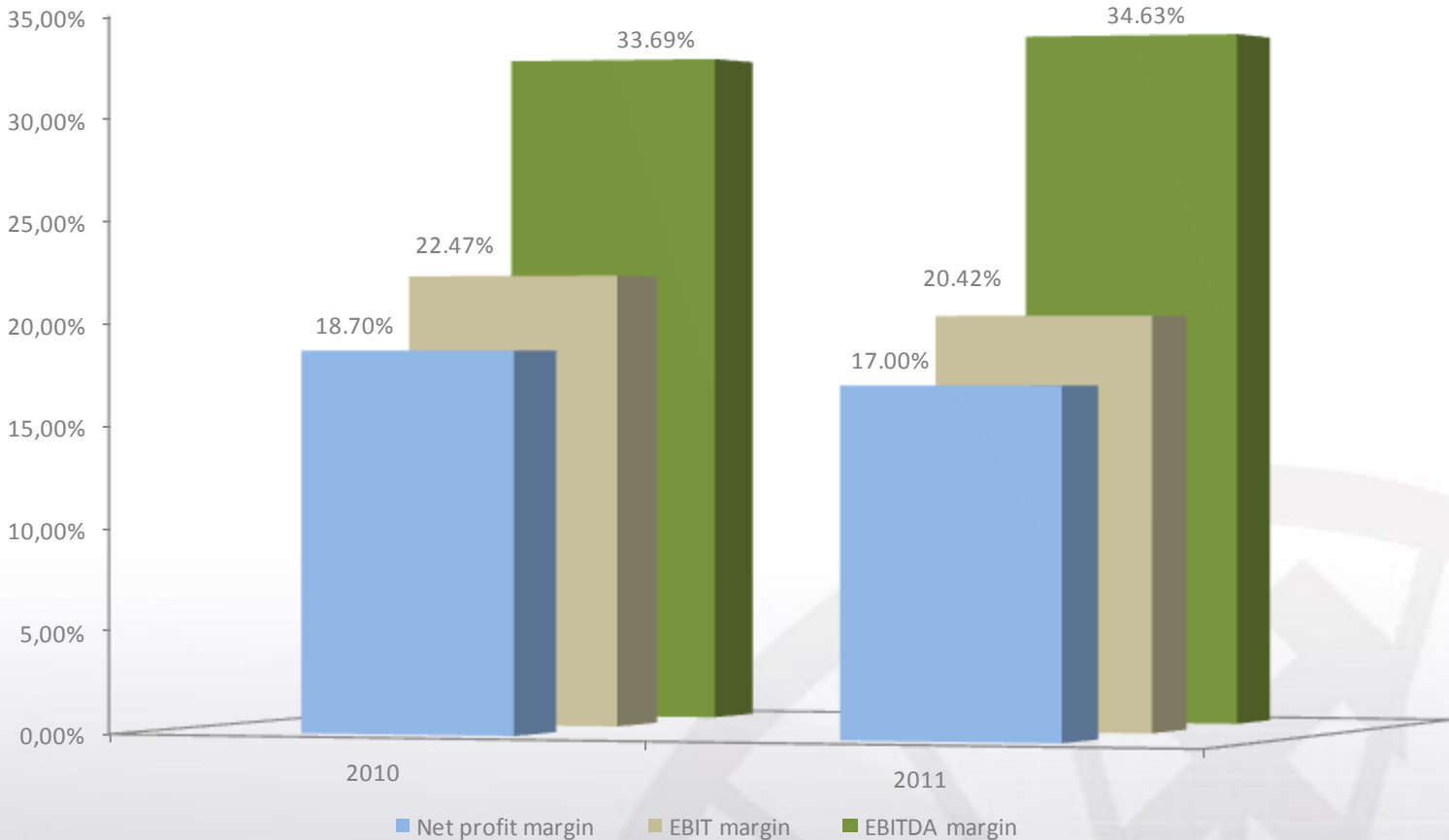
Gross and net results:

The profit/loss before taxation for 12 months of 2011 was lower by 5.64% than in the previous year – the pre-tax profit for four quarters of 2011 amounted to PLN 271,981,000 as compared to PLN 288,229,000 for four quarters of 2010.

A mandatory decrease in profit in the form of corporate tax resulted in net profit of the financial year for the period from 1 January 2011 to 31 December 2011 was PLN 221,246,000, compared to PLN 230,122,000 for the same period of 2010 - down by 3.86% on a year-to-year basis.



PROFITABILITY RATIOS



Source: Company

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KEY EVENTS IN 2011 AND AFTER THE BALANCE-SHEET DATE

(1) - trade agreements

No.	Customer	Subject of the agreement	Date of the agreement	Contract value/ total trading for the previous 12 months	Term
1.	Vattenfall Heat Poland S.A	coal supplies provided by the Company in 2012 for the purposes of, among others, Żerań Heat and Power Station and Siekierki Heat and Power Station, whose owner is Vattenfall Heat Poland S.A.	11 April, 2011	PLN 217,56 million +/- 10%	from the date of conclusion thereof until 31 December 2012.
2.	PH-U „Energokrak” Sp. z o.o.	supply of coal for Elektrownia Rybnik S.A.	19 July, 2011	PLN 393 million	19 July 2011 – 31 December 2015.
3.	Zakłady Azotowe „Puławy” S.A.	supply - sale of power coal to ZA Puławy	5 December 2011	the value of the Agreement has increased by PLN 597.35 million net (total amounts to PLN 963.26 million net)	The Annex extends the term of the Long-Term Agreement until 31 December 2017
4.	Elektrownia Połaniec S.A. - Grupa GDF SUEZ ENERGIA POLSKA	Annex to the Long-Term Agreement on Sale of Power Coal	19 December 2011	PLN 328.8 million	The Annex is in effect from the day of its conclusion until 31 January 2013
5.	Elektrownia Pócnoc Sp. z o.o.	the purposes of the projected power units of the Power Plant (Unit I, Unit II) in the Municipality of Pelplin with the capacities ranging from 780 MW to 1,050 MW, each having supercritical boilers, and applying the technology of pulverized coal (pc) combustion - Conditional Agreement	20 December 2011	PLN 10.352 billion net	period of 21 calendar years from the date on which operating of each power unit of the Power Plant commences
6.	Elektrownia Kozienice S.A.	Basic coal supplies for the units of Elektrownia Kozienice S.A. (The Annual Agreement)	27 December 2011	the value of the whole Long-Term Agreement increases to PLN 11,524 million net	1 January, 2012 – 31 December, 2012 (Long-Term Agreement: 4 March, 2010 – 31 December, 2025 r.)
7.	ENERGA Elektrownie Ostrołęka S.A.	coal supplies (Annex to Long-Term Agreement on the Sale of Power Coal)	28 December 2011	the aggregate value of supplies in 2012 shall amount to approx. PLN 217 million; the value of the entire Agreement effective from 1 January 2011 to 31 December 2015 has been changed and shall amount to approx. PLN 871 million	1 January, 2011 – 31 December, 2015
8.	Elektrownia Kozienice S.A.	for the purpose of Elektrownia Kozienice S.A.'s power unit currently under development	23 January, 2012	PLN 11.248 billion	from the execution until 31 December 2036, with the power coal supplies to commence in the 1st calendar quarter of 2017



Partial release of provisions for real property tax on the value of underground workings:

- ✓ on 2 February 2012, in connection with a judgement of the Constitutional Tribunal with regard to imposing real property tax on the value of underground workings, announced on 13 September 2011, the Management Board adopted a resolution on partial release of the provisions for real property tax on the value of underground workings
- ✓ the balance of provisions and real property tax receivable from communes and municipalities, was, as at 31 December 2011, finally set at a level of:
 - amount of the provision released and used – PLN 7.0 million, amount of the provision released and not used – PLN 46.6 million; total - PLN 53.6 million (principal amount plus interest).
 - In relation to a general risk related to pending disputes with municipalities and communes, provisions and liabilities on account of the disputed real property tax were left in the amount of PLN 16.6 million (principal amount plus interest)
 - In the Company’s financial statements for 2011, receivables from communes on account of the disputed real property tax were disclosed in the amount of 16.3 million.

Dividend for 2010:

- ✓ Payment of dividend to the Company’s shareholders on 26 August 2011 of PLN 47,619,026.00 (**20.94% of the net profit**), as per resolution of the Annual General Shareholders Meeting of 10 May 2011.

Dividend for 2011:

- ✓ On 19 March 2012, the Company’s Management Board adopted a resolution on recommending to the Annual General Shareholders Meeting the manner of distribution of the 2011 net profit generated by LW BOGDANKA S.A. in the amount of PLN 218,977,735.00, to be as follows:
 - allocate PLN 68,027,180.00 for a dividend for the shareholders (**31.07% of the net profit**)
 - allocate the remainder, i.e. PLN 150,950,555.69 for the Company's reserve capital.



KEY EVENTS IN THE Y 2011 AND AFTER THE BALANCE-SHEET DATE (3)

Introduction of employee shares to Giełda Papierów Wartościowych w Warszawie S.A.:

- ✓ The procedure of introducing employee shares to the Warsaw Stock Exchange was completed on 4 January 2012 – 3,208,111 shares, i.e. **9.43%** of LW BOGDANKA S.A. share capital

Social responsibility:

- ✓ Lubelski Węgiel BOGDANKA S.A. was classified to the **RESPECT Index** in subsequent editions, on 25 January 2011, 15 July 2011, and 31 January 2012.
- ✓ May 2011 - implementation of **Code of Ethics** developed for the Lubelski Węgiel Bogdanka Group and **Code of Ethics of Advertising and Marketing Communication**
- ✓ 30 May 2011 – joining **Global Compact**, the largest worldwide initiative for corporate responsibility and sustainable growth
- ✓ February 2012 – adoption of the **Corporate Social Responsibility Strategy for LW BOGDANKA S.A. 2012 – 2015**
 - Mission: Thanks to implementation of innovations in its business activities, LW Bogdanka S.A. is a financially sound organisation, treating its employees' safety as a priority
 - Strategic goals:
 - LW BOGDANKA S.A. sets standards of business, based on ethics and open communication
 - It applies a strategic manner of approach to safety and personnel development
 - The Company has a proactive and innovative attitude to managing relations and its influence on social and environmental circles
 - The Company pursues its business objectives in accordance with the rules of sustainable development



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INVESTMENT PROJECTS OF THE LW BOGDANKA GROUP IN THE 2011 AND THE 2012



Investment projects		Plan 2011 (PLN'000)	2011 implementation (PLN'000)	Plan 2012 (PLN'000)
Gr. 1	Development investments (development of the Stefanów Field)	437 369	384 308	235 666
A	Technical infrastructure (shaft 2.1, development of MCPP, other)	303 682	246 439	136 719
B	Making coal seams available in the Stefanów Field	133 687	137 869	98 947
Gr. 2	Other development investments	1 000	0	7 220
Gr. 3	Replacement investments	105 988	101 637	48 944
A	Modernisations and repair of machines and devices	34 631	33 595	26 810
B	Building and modernisation of structure and installations	71 357	68 042	22 134
Gr. 4	Environmental protection	2 125	1 527	8 425
Gr. 5	Building and modernisation of workings in the Bogdanka, Nadrybie and Stefanów Fields	121 206	116 389	137 683
Gr. 6	Purchase of machines and devices	121 715	86 668	281 388
TOTAL:		789 403	690 529	719 326



Investments:

- ✓ 1 October 2011 – launch of test run of mining panel in the Stefanów Field and achieving, at the beginning of November 2011, of a level of the average of 10,000 tons of coal extraction per day (which is a target level at this stage), with the use of excavation and ventilation shaft 2.1 in the Stefanów Field (coal ploughing system);
- ✓ Achievement of a world record in daily extraction at a level of 24,400 tons of coal with the panel progress of 26.5 metres (achieved by the coal ploughing system installed in the Stefanów Field when testing its maximum capabilities)
- ✓ 31 May 2011 – signing an agreement with Bucyrus Europe GmbH for a supply of the panel plough system to the Bogdanka mine; value of the agreement PLN 162,981,000, term of the agreement – 14 months from the signing date
- ✓ Completion of other investment tasks material for the Company
- ✓ Commencement of a procedure regarding acquisition of rights to geological information in the “K-3” and “K-6, K-7” deposits; the acquisition of those rights to information will be followed by preparation of all necessary documents for obtaining a licence for hard coal mineral excavation in that area.



1. Investment in the Stefanów Field in order to double the Company's production capacity

- ✓ The development of the Stefanów Field is one of the **largest investments** in the European hard coal sector over the past several dozen years
- ✓ The investment comprised the following tasks:
 - Building the excavation and ventilation shaft 2.1 in the Stefanów Field
 - Extension of the Mechanical Coal Processing Plant
 - Construction of buildings in the Stefanów Field
 - Central air-conditioning system of the Stefanów Field
 - Making coal seams in the Stefanów Field available
 - Purchases of finished goods
- ✓ The second stage of the MCPP extension is left for execution – the “wet line” facilities and continuation of working longwall drivages for launching a second wall in the Stefanów Field in seam 385/2.

2. Other investments in development

3. Replacement investments

4. Environmental protection investments

5. Making and modernisation of mining workings

6. Purchase of plant and equipment



Gr. 1 Investments in development:

A. Investments in technical infrastructure

- ✓ completion of building of storage reservoirs at shaft 2.1 in the Stefanów Field
- ✓ completion of construction facilities for the Stefanów Field area
- ✓ extension of central air conditioning system for the Stefanów Field
- ✓ completion of the extension of the Mechanical Coal Processing Plant for the achievement of processing capacity at a level of 2,400 t/d
- ✓ coal storage area extension.

B. Making coal deposits available

- ✓ continuation of drilling of longway galleries for launching a second panel in the Stefanów Field in seam 385/2.

Gr. 2 Other investments in development:

- ✓ launching stone mining through shaft 1.5 – developing the concept,
- ✓ investments in construction of the central air conditioning system in the underground part of the mine within the Bogdanka Field – preparing documentation,
- ✓ integrated production management system – wireless underground communication, GPS supervision system of the facilities within the territory of mining damage.



Gr. 3 Replacement investments:

- ✓ modernisation and renovation of the existing machines and devices
- ✓ building and modernisation of construction facilities and installations

Gr. 4 Environmental protection

- ✓ works connected with the extension of the mining waste dump and designing the “Szczecin” water reservoir in the area of a settlement basin that arose in consequence of mining

Gr. 5 Building and modernisation of workings in Bogdanka, Nadrybie and Stefanów fields

- ✓ drilling longway drivages to the extent necessary for new panels which are to be launched in order to maintain the extraction level, and longway drivages for enabling seam 385/2 in field II. modernisation of the 3fB storage reservoir and conversion of mining workings will be conducted.

Gr. 6 Purchase of machines and devices

- ✓ purchase of panel complexes, including purchase of a coal-ploughing complex for the second panel, as well as beginning the purchase procedure of the third coal-ploughing complex
- ✓ purchase and installation of machines and devices – purchase of a heading complex used for drilling longway galleries in the Stefanów Field, as well as other machines and devices requiring installation in the working place, including: suspended locomotives, belt and scraper conveyors, road heading machines, self-propelled anchoring trolleys and boring rig for long holes.



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THANK YOU!

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PROFIT AND LOSS ACCOUNT

(PLN '000)	Y2011	Y2010	Change 2011/2010 [%]
Revenue	1 301 349	1 230 447	5.76
Cost of products, goods and materials sold, sales and administrative costs	1 035 717	926 865	11.74
Gross profit on sales	265 632	303 582	(12.50)
Other revenue	5 597	3 902	43.44
Other costs	2 434	3 343	(27.19)
Operating profit (loss) net	(3 056)	(27 669)	(88.96)
EBIT margin (%)	20.42%	22.47%	(9.12)
EBITDA	450 603	414 548	8.70
EBITDA margin (%)	34.63%	33.69%	2.79
Financial income	12 535	25 362	(50.58)
Financial costs	6 293	13 546	(53.54)
Profit before tax	271 981	288 229	(5.64)
Income tax	50 735	58 107	(12.69)
Net profit	221 246	230 122	(3.86)
Net profit margin (%)	17.00%	18.70%	(-9.09)
- Profit attributable to company's shareholders	220 921	229 811	(3.87)



BALANCE SHEET

(PLN '000)	31.12.2011	31.12.2010
Fixed assets, including:	2 674 216	2 163 972
Cash and cash equivalents	58 288	50 909
Current assets, including:	402 012	664 073
Cash and cash equivalents	102 820	472 101
Total assets	3 076 228	2 828 045
Current liabilities	307 016	403 139
Non-current liabilities	626 566	455 887
Total liabilities	933 582	859 026
Equity	2 142 646	1 969 019
Current loans	-	50 000
Non-current loans	341 000	200 000



CASH FLOW

(PLN'000)	Y2011	Y2010
Operating cash flow	313 802	368 235
Operating cash inflow	342 263	443 700
Interest paid	(31)	(12 268)
Income tax paid	(28 430)	(63 197)
Investing cash flow	(726 489)	(597 244)
Acquisition of tangible fixed assets	(718 096)	(617 159)
Interest paid regarding investing activity	(13 157)	-
Acquisition of intangible fixed assets	(616)	(397)
Inflow from the sale of tangible fixed assets	233	110
Other net investing cash flow	1 373	(20)
Otrzymane dotacje budżetowe	-	19 451
Interest received	11 153	24 973
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	(7 3790)	(4 751)
Financing cash flow	43 406	-
Loans and borrowings received	100 000	-
Loans and borrowings repaid	(9 000)	-
Dividend paid to shareholders of the parent entity	(47 619)	-
Other net financing cash flow	25	-
Decrease in cash and cash equivalents	(369 281)	(209 558)
Cash and cash equivalents at beginning of period	472 101	681 659
Cash and cash equivalents at beginning of period	102 820	472 101



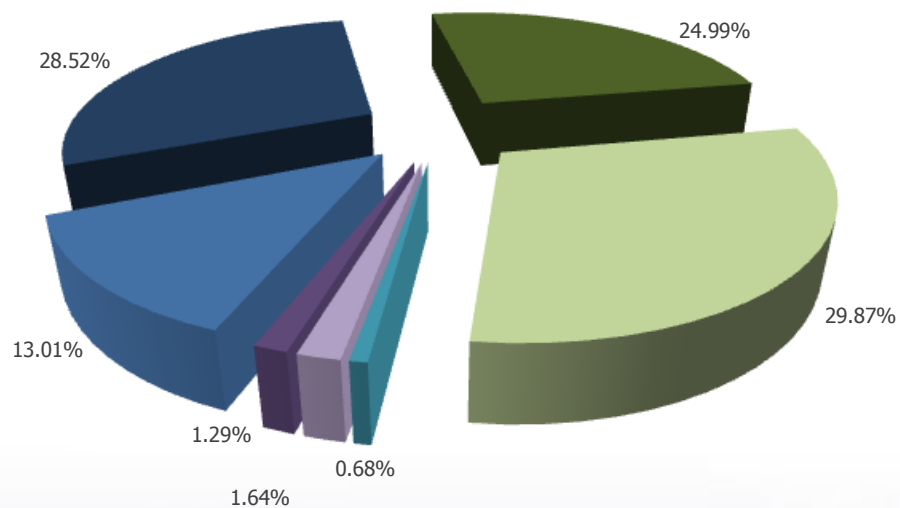
SALES STRUCTURE

Item (PLN '000)	Y 2011	Share [%]	Y 2010	Share [%]
Coal sales	1 224 690	94.11	1 191 016	96.80
Sales of ceramics	8 678	0.66	7 868	0.64
Other activities	43 807	3.37	22 442	1.82
Sales of goods and materials	24 174	1.86	9 121	0.74
Total sales revenue	1 301 349	100.00	1 230 447	100.00

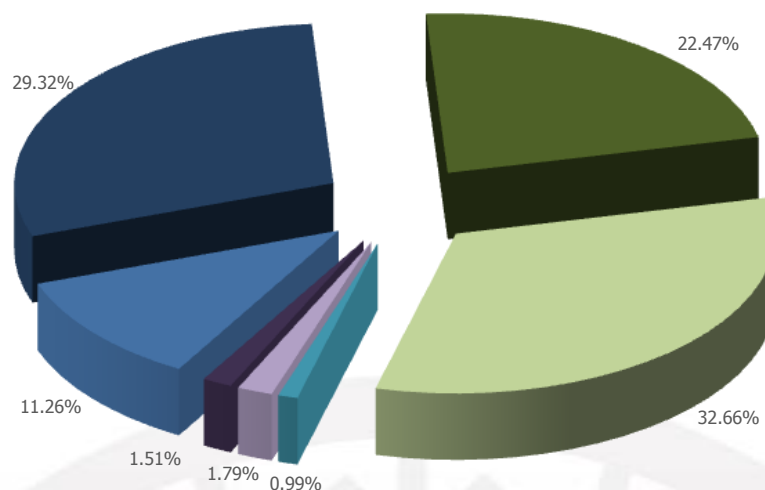


STRUCTURE OF COSTS BY TYPE AT BOGDANKA

Y2011



Y 2010



- 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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