Lubelski Węgiel BOGDANKA S.A.

EURACOAL

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LW BOGDANKA S.A. Today

- LW BOGDANKA S.A.:
  - One of Poland’s largest thermal coal producers
  - Three coal fields
  - Poland’s most efficient hard coal mine
  - Most advanced hard coal mine in Poland
  - Commercial coal mined in 2012: 7.78 million tonnes
  - Thermal coal market share in Poland in 2012: 14%
  - Underground productivity in 2012: approximately 3 times above the national average

- Financial Data (2012 consolidated):
  - Revenue: PLN 1.8 billion
  - Net profit: PLN 290 million
  - Capital expenditure: PLN 640 million
  - EBIT margin: 19%
  - EBITDA margin: 36%

- On the Warsaw Stock Exchange:
  - WIG20, WIG-surowce
  - Respect Index
  - Number of shares: 34,013,590
  - Listed on the Warsaw Stock Exchange since June 2009 (code: LWB)
  - Capitalisation: PLN 4.1 billion (May 2013)

- Shareholder Structure

- Based on notifications from shareholders in 2013 and market data
LW BOGDANKA S.A. – A leader in efficiency

- One of the **most state-of-the-art and largest hard coal mines** in Central & Eastern Europe
- Producer of thermal coal used for the production of electricity
- **Market share** in the sale of thermal coal to domestic customers from the power generation sector at a level of nearly **20%** in 2012, against approx. **12%** in 2009
- **Underground productivity** in 2012 at the level of **312%** of the industry average
- **Operating reserves:** **237 million tonnes** of coal; measures have been undertaken to acquire new reserves
- **Good geographic location** (Lublin Coal Basin) for major customers and **good natural conditions** (stable geological structure and low threat of crumps and methane explosions)
- **Application of cutting-edge technologies** and world top class machine park in the process of hard coal extraction – **low failure rate**, no unscheduled stoppages and **high efficiency**
- Execution of the investment programme aimed at **doubling the output capacity** and a significant **growth of extraction efficiency**
LW BOGDANKA S.A.’s 2x2 Strategy – Key Elements

COAL PRODUCTION x 2

Completion of the investment process to *double production* and reinforce BOGDANKA'S position as the leading supplier of coal to commercial power plants

RESERVES x 2

*Doubling of LW BOGDANKA S.A.'s recoverable reserves* in the Lublin Coal Basin and extension of the mine’s operating life to about 2050
Hard Coal – Poland’s Main Source of Energy until 2020

According to forecasts:

- In 2013-2020, there will be a stable demand for hard coal-based primary energy in Poland, of approximately 35 million tonnes or 67 million Mg of thermal coal 1)

- Production of electricity based on the existing and new thermal coal units will amount to ca. 82 million TWh in 2013-2020, which equates to approximately 38 million Mg* of coal 1), 2), 3)

- Production of electricity will be more expensive with natural gas than with coal (based on the current and forecast CO2 certificate prices) 4)

- Shale gas will have no significant effect on the Polish market before 2020 5)

- Coal gasification and new low-emission technologies in the power sector will provide growth opportunities for the Polish coal market 6)

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6) A National Centre for Research and Development project, “Coal gasification technology development for high-efficiency production of fuels and energy”, by AGH University of Science and Technology, Central Mining Institute, and Institute for Chemical Processing of Coal.

*Assuming that combusting 0.46 tonnes of coal with calorific value of 22 MJ/kg is needed for the production of 1 MWh of electricity.
LW BOGDANKA S.A. – Strategic Objectives for 2013-2020

- Long-term, sustainable growth to maintain the Company’s competitive advantage, and optimal use of internal growth potential to:
  - keep our position as the leader in mining efficiency
  - and maintain our leadership in innovative technological solutions - Intelligent Mine

- Pursuing a strategy aimed at doubling the production capacity and the market share:
  - Completion of the investment process designed to double production
  - Strengthening of BOGDANKA’S stable position as the leading supplier of coal, especially for commercial power plants – reaching a 20% share in the market for thermal coal in Poland

- Implementing an action plan to double resources and extend the mine’s operating life to about 2050:
  - Obtaining licences and developing new, prospective areas, allowing the Company to operate beyond 2034
  - Carrying out efficiency improvement projects
  - Creating potential synergies with energy producers

- Complying with the highest standards of Corporate Governance, Corporate Social Responsibility and Sustainable Development

- Basis for development and efficiency improvement: CAPEX for 2013-2020 at the average annual level of PLN 600m, inc. development capex at the level of ca. PLN 250m per annum and maintenance capex at the level of ca. PLN 350m per annum (new workings, maintenance of existing headings and equipment)

which will lead to

- Maximised positive cash flows and return on invested capital for shareholders through a stable dividend policy and continued growth of the Company’s value
Maintaining Our Leadership in Innovative Technological Solutions – Intelligent Mine

- Full use of a decision support system in the process of preparing a deposit for extraction
  - Unique in Polish underground mining
  - A result of the production process computerisation and automation strategy implemented at LW BOGDANKA S.A.
  - Incorporates global cutting-edge mining solutions

- Continued development of a deposit management system (designed with the Polish Academy of Sciences):
  - Digital deposit modelling (to date, the only one in the Polish hard coal mining sector)
  - Digital map of underground workings
  - Digital work schedule for opening out and preparation of workings and production of coal

- Construction of an INTELLIGENT MINE
  - Object-based map of underground infrastructure at LW BOGDANKA S.A. - under construction
  - Centralised database
  - Subsequent steps
    - Active tags - monitoring the condition of underground infrastructure on a map of underground workings, with personnel identification
    - Wireless communication
    - Electronic notepads

Fig. Seam 389 - heading and thickness model
Completion of the Investment Process Designed to Double Production

Net coal production at LW BOGDANKA S.A. (million tonnes)

- Significant infrastructure investments, including the expansion of the Mechanical Coal Processing Plant to a capacity of up to 2,400 tonnes per hour, will be completed in 2014.
- Additional investments in the modernisation of Shaft 1.5 in the Nadrybie Field will allow net production capacity to increase up to approximately 12 million tonnes in 2018.

* Plan for 2013: 8.6-9.0 million tonnes
20% Share in the Thermal Coal Market by 2015

- BOGDANKA’S share in the thermal coal market increased significantly from ca. 10% in 2011 to ca. 14% in 2012
- BOGDANKA plans to achieve a 20% share in the thermal coal market in Poland by 2015
Plan to Double Resources and Extend the Mine’s Operating Life to about 2050

- The Company is applying for new licences in the Lublin Coal Basin
- Planned increase of recoverable reserves from ca. 237 million tonnes to ca. 450 million tonnes
- Planned extension of the mine’s operating life to about 2050 (currently 2034), with an average annual net production level of approximately 12 million tonnes

- LW BOGDANKA S.A. holds a competitive advantage over potential newcomers in the region, thanks to:
  - Its existing infrastructure
  - Know-how of safe and efficient mining
  - Good relations with customers (long-term contracts) and local stakeholders
The entire infrastructure of the mine and the Puchaczów V mining area are surrounded by protected lands (the immediate vicinity of the Polesie National Park and the Łęczna Lake District Landscape Park).

An Integrated Quality, Environmental and Health and Safety Management System has been implemented, and a certificate of compliance with PN EN ISO 14001, 9001 and 18001 obtained.

A Corporate Social Responsibility strategy at LW BOGDANKA S.A. for 2012-2015 has been adopted.

Objectives for 2013-2020:
- Implementation of environmental projects
- Implementation of the CSR Strategy
- Development of human capital
- Maintenance of high Corporate Governance standards
- Improvement of Health and Safety activities, implementation of an underground workplace monitoring system
DEVELOPMENT POTENTIAL OF LW BOGDANKA S.A. – MAINTAINING OF COMPETITIVE ADVANTAGE

- **Improving the efficiency of hard coal extraction**
  - Application of **cutting-edge technologies** and world top class machine park in the extraction process
  - **Technology investments** planned with a view to improving coal quality and increasing coal yield
  - Keeping **stable coal quality**, adjusted to customers’ needs, while increasing extraction, through the development of the Mechanical Coal Processing Plant

- **Strengthening competitive position by cutting unit costs of extraction and production**
  - LW BOGDANKA S.A. – standing at the forefront of the hard coal industry in terms of costs
  - New outsourcing policy allowing for higher cost flexibility

- **Developing electric power generation activities**
  - Considered participation in a project involving the conversion of a heat-generating plant of Łęczyńska Energetyka into a heat and electricity power station

- **Ambitious strategy 2x2**
Thank you for attention
Appendix
Commercial coal production and efficiency at LW BOGDANKA S.A.

**Net coal production**

(thousand tonnes)

**Underground productivity in output**

(kg/man-days)
Contact Details

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