Lubelski Węgiel Bogdanka S.A.

Abridged interim financial statements

for the period of six months ending on June 30, 2009

Contents of interim financial statements

(All amounts presented in tables are provided in PLN ’000, unless specified otherwise)

Statement of financial standing

	Note	Jun. 30, 2009	Dec. 31, 2008
Assets			
Fixed assets			
Tangible fixed assets	5	1,400,363	1,297,098
Intangible fixed assets	6	12,945	10,083
Long-term investments		73,761	73,761
Trade debtors and other receivables		-	418
Cash and cash equivalents		42,546	41,073
		1,529,615	1,422,433
Current assets			
Stocks		62,469	33,515
Trade debtors and other receivables		131,621	131,537
Overpaid income tax		-	685
Cash and cash equivalents		217,503	57,502
		411,593	223,239
TOTAL ASSETS		**1,941,208**	**1,645,672**
Shareholders’ equity			
Ordinary shares	7	246,158	246,158
Other capitals	8	428,484	404,094
Retained profits		424,840	455,993
Total shareholders’ equity		**1,099,482**	**1,106,245**
Liabilities			
Long-term liabilities			
Deferred income tax liabilities		56,346	58,318
Employee benefits liabilities	10	103,335	100,971
Provisions for other liabilities and charges	11	58,748	54,337
Trade creditors and other liabilities		8,781	9,622
		227,210	223,248
Short-term liabilities			
Loans and borrowings	9	265,000	100,000
Current income tax liabilities		2,413	-
Employee benefits liabilities	10	53,859	18,877
Provisions for other liabilities and charges	11	53,427	51,901
Trade creditors and other liabilities		239,817	145,401
		614,516	316,179
Total liabilities		841,726	539,427
TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES		**1,941,208**	**1,645,672**

(All amounts presented in tables are provided in PLN '000, unless specified otherwise)

Statement of total income

	Note	For the 6 months ending on June 30	
		2009	**2008**
Revenue on sales		517,251	490,540
Costs of products, goods and materials sold		(358,855)	(374,512)
Gross profit		**158,396**	**116,028**
Cost of sales		(23,747)	(17,600)
Administrative costs		(31,259)	(21,465)
Other income		2,556	3,098
Other costs		(1,104)	(11,939)
Other profits/(losses) - net		(472)	2,018
Profit on operating activities		**104,370**	**70,140**
Financial income		3,562	1,382
Financial expenses		(5,531)	(3,751)
Net financial expenses		(1,969)	(2,369)
Profit before taxation		**102,401**	**67,771**
Income tax	13	(20,332)	(16,515)
Net profit of the accounting year		**82,069**	**51,256**
Total income for the period		**82,069**	**51,256**
Earnings per share attributable to the Company's shareholders during the year (in PLN per share) (*)			
- basic	14	3.57	2.23
- diluted	14	3.57	2.23

(*) In connection with division of shares in a ratio of 1:10 (see Note 14), the value of earnings per share was calculated on the basis of the number of shares after the division.

(All amounts presented in tables are provided in PLN '000, unless specified otherwise)

Statement of changes in shareholders' equity

	Note	Share capital	Other capitals	Retained profits	Total shareholders' equity
As at January 1, 2008		**246,158**	**325,540**	**382,109**	**953,807**
Total income for the accounting period		-	-	51,256	51,256
Dividends concerning 2007	15	-	-	(5,638)	(5,638)
Transfer of the result for 2007		-	71,816	(71,816)	-
As at June 30, 2008		**246,158**	**397,356**	**355,911**	**999,425**
As at January 1, 2009		**246,158**	**404,094**	**455,993**	**1,106,245**
Total income for the accounting period		-	-	82,069	82,069
Dividends concerning 2008	15	-	-	(88,832)	(88,832)
Transfer of the result for 2008		-	24,390	(24,390)	-
As at June 30, 2009		**246,158**	**428,484**	**424,840**	**1,099,482**

(All amounts presented in tables are provided in PLN '000, unless specified otherwise)

Cash flow statement

	Note	For the 6 months ending on June 30	
		2009	**2008**
Operating cash flow			
Operating cash inflow	16	179,922	187,070
Interest paid		(3,112)	(2,167)
Income tax paid		(19,206)	(24,494)
Net operating cash flow		157,604	160,409
Investing cash flow			
Acquisition of tangible fixed assets		(159,843)	(162,070)
Acquisition of intangible fixed assets		(4,078)	(1,076)
Inflow on sale of tangible fixed assets		204	557
Interest received		2,816	271
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund		(43)	(1,051)
Net investing cash flow		(160,944)	(163,369)
Financing cash flow			
Loans and borrowings received		180,000	56,199
Loans and borrowings repaid		(15,000)	-
Other net financing cash flow		(1.659)	-
Net financing cash flow		163.341	56,199
Net increase / (decrease) in cash and cash equivalents		160.001	53,239
Cash and cash equivalents at beginning of period		57,502	8,628
Cash and cash equivalents at end of period		**217,503**	**61,867**

Notes on the abridged interim financial statements

Additional information

1. General information

1.1. Information on the Company

Lubelski Węgiel Bogdanka S.A. is a joint stock company, operating under the laws of Poland. The Company was created as a result of the restructuring of the state enterprise Kopalnia Węgla Kamiennego Bogdanka with registered office in Bogdanka, under the Act on the Privatisation of State Enterprises of July 13, 1990.

The deed of transformation of a state enterprise into a company wholly owned by the State Treasury operating under the business name: Kopalnia Węgla Kamiennego Bogdanka S.A. was drawn up on March 1, 1993 (Rep. A No. 855/1993) by Notary Public Jacek Wojdyło maintaining a Notarial Office at ul. Kopernika 26, Katowice.

The Company was entered in Section B of the Commercial Register of the District Court in Lublin, VIII Commercial Division, under No. H - 2993, on the basis of a valid decision of that Court issued on April 30, 1993 (file ref. No. HB – 2993, Ns. Rej. H 669/93).

On March 26, 2001, Lubelski Węgiel Bogdanka Spółka Akcyjna was registered in the Register of Entrepreneurs maintained by the District Court in Lublin, XI Division of the National Court Register, under KRS No. 0000004549.

In June 2009, the Company issued series C shares and introduced its shares to public trading. Details concerning the capital increase are set out in Note 21.

The Company's core business activities, pursuant to the European Classification of Activity (EKD 1010), are mining and agglomeration of hard coal.

The Company is the Parent Entity in Lubelski Węgiel Bogdanka S.A. Group. The Group has prepared the abridged consolidated interim financial statements for the period of 6 months ending on June 30, 2009.

1.2. Assumption of continued business activity

The abridged interim financial statements were prepared under the assumption of continued business activity in the foreseeable future and that there are no circumstances indicating any risk to the continuation of the Company's activities.

In the opinion of the Management Board of Lubelski Węgiel Bogdanka S.A., there are currently no circumstances indicating any risk to continuation of the Company's activities.

2. Description of key accounting principles applied

These abridged interim financial statements follow the same accounting principles (policies) and calculating methods as the latest annual financial statements.

The most important accounting principles applied in preparation of these abridged interim financial statements are presented below.

2.1. Basis for preparation

These abridged interim financial statements of LW Bogdanka S.A. for the first six months of 2009 were prepared in accordance with International Accounting Standard 34 – "Interim Financial Reporting".

These abridged interim financial statements were prepared according to the historical cost principle, including the valuation at fair value of certain components of tangible fixed assets in connection with assuming fair value as a presumed cost, which was carried out as at the day of the Group's transition to the IFRS, i.e. January 1, 2005.

Preparing financial statements in accordance with IAS 34 requires the application of certain significant accounting estimates. It also requires that Management Board exercise its own judgment while applying accounting principles adopted by the Company. The significant estimates and judgments made have not changed since the publication of the annual financial statements for 2008.

(a) New standards and interpretations effective as of January 1, 2009.

- IFRS 8 "Operating Segments"

IFRS 8 was issued by the International Accounting Standards Board on November 30, 2006, and it is mandatory for annual financial statements for periods beginning on or after January 1, 2009. IFRS 8 replaces IAS 14 "Segment Reporting". This standard lays down new requirements related to disclosing information concerning segments of business activity, as well as information concerning products and services, geographical areas in which activities are conducted, and major customers. IFRS 8 requires a "management approach" to reporting financial results of business segments.
Since the Company only conducts its business activities in one segment, the introduction of this standard does not affect the financial statements of the Company.

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- IAS 1 (revised) "Presentation of Financial Statements"

The revised IAS 1 was published by the International Accounting Standards Board on September 6, 2007, and it is mandatory for annual periods beginning on or after January 1, 2009. The changes introduced mainly relate to presentation issues regarding changes in equities and are aimed at improving users' ability to analyse and compare the information given in financial statements.
The Company applied the revised IAS 1 as of January 1, 2009.

- IAS 23 (revision) "Borrowing costs"

The revision of IAS 23 was published by the International Accounting Standards Board on March 29, 2007, and it is mandatory for annual periods beginning on or after January 1, 2009. The revision relates to the accounting treatment of borrowing costs, which can be directly attributed to the acquisition, construction or production of an asset that requires a significant period of time to prepare it for its intended use or sale. The revision removed the option of immediately recognising these costs in the profit and loss account for the period in which they were incurred. Pursuant to a new requirement of the Standard, those costs should be capitalised.
The introduction of the Standard did not affect the financial statements of the Company.

- Revisions to IFRS 2008

In May 2008, the International Accounting Standards Board (IASB) published Improvements to International Financial Reporting Standards, hereinafter referred to as the "changes", as part of an annual procedure of implementing changes aimed at improving the International Accounting Standards and making them more precise. Those changes include 35 amendments to existing IAS, which are of two types: part I contains amendments which involve changes in accounting that are related to presentation, recognition and valuation, while part II concerns changes in terminology or editorial corrections. Most changes will be mandatory for annual periods beginning on January 1, 2009.
The Company applied amendments to the IFRS pursuant to transitional provisions.

(b) Standards, revisions and interpretations of existing standards which are not yet mandatory and have not been previously applied by the Company

- Improvements to IFRS 2 "Share-based payment"
- Amendments to IFRS 2009

- IFRS 3 (revision) – Business combinations
- Improvements to IAS 39 – Financial Instruments: Recognition and Measurement – Eligible hedged items
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation
- IAS 27 (revision) – Consolidated and Separate Financial Statements
- Improvements to IFRS 7 – “Financial Instruments: Disclosures”
- IFRIC 17 – Distributions of Non-cash Assets to Owners
- IFRIC 18 – Transfers of Assets from Customers

(c) Existing standards, revisions and interpretations of existing standards which are not applicable to the Company’s business activities.

- Improvements to IAS 39 – “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures”
- IFRIC 12 – Service Concession Arrangements
- IFRIC 13 – Customer Loyalty Programmes
- Improvements to IFRIC 9 and IAS 39 “Embedded Derivatives”
- IFRIC 15 “Agreements for the Construction of Real Estate”
- Improvements to IFRS 1 “First-time Adoption of IFRS”

3. Information concerning sectors of business activity

IFRS 8 – “Operating segments” is applicable for the purposes of preparing these interim financial statements. That standard requires that financial statements of the entity present a series of data concerning individual segments, while the approach to segmentation of the entity presented in the financial statement should be consistent with the division into segments used for purposes of making strategic management decisions.

The Management Board does not apply division into segments for managing the Company since the Company mainly focuses its activities on the production and sale of coal. Revenue on sales of other products and services in the period between January 1, 2009 and June 30, 2009 amounted to PLN 17,514,000, which account for 3.18% of total revenue on sales.

4. Information concerning seasonality

Seasonality of production does not occur, while seasonality of sales can be observed in retailing at coal sale points. Sales to individual consumers account for 2.0% of total sales. This has no significant effect on operating and financing activity of the Company.

(All amounts presented in tables are provided in PLN '000, unless specified otherwise)

5. Tangible fixed assets

	Land	Buildings and structures (including mining excavations)	Plant and equipment	Vehicles	Other tangible fixed assets	Tangible fixed assets in construction	Total
As at January 1, 2008							
Cost or assessed value	1,774	913,020	587,800	80,782	9,563	264,371	1,857,310
Depreciation	-	(401,490)	(302,310)	(32,840)	(5,567)	-	(742,207)
Net book value	1,774	511,530	285,490	47,942	3,996	264,371	1,115,103
As at June 30, 2008							
Net book value at beginning of year	1,774	511,530	285,490	47,942	3,996	264,371	1,115,103
Increases	-	81,975	39,685	3,200	90	132,393	257,343
Decreases	-	-	(467)	-	-	(122,053)	(122,520)
Amortisation	-	(39,720)	(18,469)	(5,344)	(477)	-	(64,010)
Net book value	**1,774**	**553,785**	**306,239**	**45,798**	**3,609**	**274,711**	**1,185,916**
As at June 30, 2008							
Cost or assessed value	1,774	991,948	623,117	83,918	9,609	274,711	1,985,077
Depreciation	-	(438,163)	(316,878)	(38,120)	(6,000)	-	(799,162)
Net book value	**1,774**	**553,785**	**306,239**	**45,798**	**3,609**	**274,711**	**1,185,916**
As at January 1, 2009							
Cost or assessed value	1,878	1,079,475	663,772	87,330	10,925	248,939	2,092,319
Depreciation	-	(406,194)	(339,731)	(42,853)	(6,443)	-	(795,221)
Net book value	1,878	673,281	324,041	44,477	4,482	248,939	1,297,098
As at June 30, 2009							
Net book value at beginning of year	1,878	673,281	324,041	44,477	4,482	248,939	1,297,098
Increases	32	34,103	15,244	3,695	720	169,893	223,687
Decreases	-	(85)	(22)	-	(4)	(53,794)	(53,905)
Amortisation		(41,279)	(19,494)	(5,193)	(551)	-	(66,517)
Net book value	**1,910**	**666,020**	**319,769**	**42,979**	**4,647**	**365,038**	**1,400,363**
As at June 30, 2009							
Cost or assessed value	1,910	1,143,332	667,081	87,981	11,585	365,038	2,276,927
Depreciation	-	(477,312)	(347,312)	(45,002)	(6,938)	-	(876,564)
Net book value	**1,910**	**666,020**	**319,769**	**42,979**	**4,647**	**365,038**	**1,400,363**

The "Decreases in tangible fixed assets in construction" item mainly consists of reclassifications of items to other categories of fixed assets, where the same values are disclosed in the "Increases" item.

6. Intangible fixed assets

	Computer software	Fees, licences and geological information	Other	Total
As at January 1, 2008				
Cost or assessed value	2,412	10,789	451	13,652
Depreciation	(790)	(1,079)	(6)	(1,875)
Net book value	1,622	9,710	445	11,777
As at June 30, 2008				
Net book value at beginning of year	1,622	9,710	445	11,777
Increases	149	-	-	149
Amortisation	(451)	(540)	-	(991)
Net book value	**1,320**	**9,170**	**445**	**10,935**
As at June 30, 2008				
Cost or assessed value	2,531	10,789	451	13,771
Depreciation	(1,211)	(1,619)	(6)	(2,836)
Net book value	1,320	9,170	445	10,935
As at January 1, 2009				
Cost or assessed value	2,797	11,568	23	14,388
Depreciation	(1,708)	(2,590)	(7)	(4,305)
Net book value	1,089	8,978	16	10,083
As at June 30, 2009				
Net book value at beginning of year	1,089	8,978	16	10,083
Increases	613	-	3,382	3,995
Amortisation	(467)	(641)	(25)	(1,133)
Net book value	**1,235**	**8,337**	**3,373**	**12,945**
As at June 30, 2009				
Cost or assessed value	3,509	10,906	3,405	17,820
Depreciation	(2,274)	(2,569)	(32)	(4,875)
Net book value	**1,235**	**8,337**	**3,373**	**12,945**

7. Share capital

	Number of shares ('000)	Ordinary shares – par value	Hyperinflation adjustment	Total
As at January 1, 2008	2,301	115,068	131,090	246,158
As at June 30, 2008	2,301	115,068	131,090	246,158
As at December 31, 2008	23,014	115,068	131,090	246,158
As at June 30, 2009	23,014	115,068	131,090	246,158

(All amounts presented in tables are provided in PLN ’000, unless specified otherwise)

All shares issued by the Company have been fully paid up.

On October 29, 2008, the General Shareholders Meeting of the Company adopted a resolution on changing the existing number of the Company’s shares by dividing their par value in a ratio of 1:10, so that the previous par value of each share of PLN 50 would be established as PLN 5 per share. As a result of the change in the par value of the shares, each series A, B and C share that has so far been issued, with a previous par value of PLN 50, was exchanged for 10 shares of series A, B and C respectively, with rights identical to those of the shares before the division and a par value of PLN 5 per share. The divided shares will participate in the dividend to the same extent as before the division.

In June 2009, the Company issued series C shares and introduced its shares to public trading. Details concerning the capital increase are set out in Note 21.

8. Other capitals

Pursuant to the Articles of Association, the Company can create supplementary capital and other reserve capitals, the purpose of which is determined by provisions of law and resolutions of decision-making bodies.

9. Loans and borrowings

	Jun. 30, 2009	**Dec. 31, 2008**
Short-term:		
Revolving bank loans	265,000	100,000
	265,000	**100,000**

Bank loans bear interest at the rates of WIBOR 1M + bank margin (Kredyt Bank) and WIBOR 3M + bank margin (PKO BP).
The fair value of loans does not significantly differ from their balance-sheet value, as the influence of discount is not significant.

	Kredyt Bank	PKO BP	Total
As at December 31, 2008	30,000	70,000	100,000
Repayment in the period	(15,000)	-	(15,000)
New advances received in the period	-	180,000	180,000
As at June 30, 2008	15,000	250,000	265,000

The repayment date for the loan taken out in Kredyt Bank is August 7, 2009. The repayment date for the loan taken out in PKO BP S.A. is December 31, 2009.

The Company takes out loans in PLN.

The Company has the following unused credit lines:

	Jun. 30, 2009	**Dec. 31, 2008**
with a variable interest rate:		
- expiring within one year	40,000	60,000
	40,000	60,000

Limits expiring within one year are limits granted for a one-year period or shorter.

(All amounts presented in tables are provided in PLN '000, unless specified otherwise)

10. Employee benefits liabilities

	Jun. 30, 2009	Dec. 31, 2008
Liabilities disclosed in the balance sheet on account of:		
- Retirement and disability benefits	23,422	29,825
- Long service awards	33,233	33,998
- Coal allowances in kind	55,758	54,690
- Other benefits for employees	3,781	1,335
- Liabilities on account of the Incentive Plan	41,000	-
	157,194	**119,848**
including:		
Long-term	103,335	100,971
Short-term	53,859	18,877

(All amounts presented in tables are provided in PLN '000, unless specified otherwise)

11. Provisions for other liabilities and charges

	Liquidation of a mining plant	Legal claims	Total
As at January 1, 2008	**44,300**	**6,136**	**50,436**
Including:			
	44,300		44,300
		6,136	6,136
Recognition in the value of fixed assets	918		918
Recognition in the total income statement			
- Creation of additional provisions		30,131	30,131
- Release of unused provisions		(1,837)	(1,837)
- Interests		8,339	8,339
- Discount settlement	1,373		1,373
-Provisions used during a year	-	-	-
As at June 30, 2008	**46,591**	**42,769**	**89,360**
Including:			
Long-term	46,591		46,591
Short-term		42,769	42,769
Recognition in the value of fixed assets	3,100		3,100
Recognition in the total income statement			
- Creation of additional provisions		4,753	4,753
- Release of an unused provision		(4,952)	(4,952)
- Interests		2,074	2,074
- Discount settlement	1,311	-	1,311
Provisions used during a year		(349)	(349)
As at June 30, 2009	**58,748**	**53,427**	**112,175**
Including:			
	58,748		58,748
		53,427	53,427

(a) Liquidation of mines

The Company creates a provision for costs of liquidating a mining plant, which it is obliged to incur under current laws.

(b) Legal claims

The amounts disclosed constitute:

– a provision for certain legal claims filed against the Company by customers and suppliers. The amount of the provision is disclosed in the profit and loss account as administrative costs. In the Management Board's opinion, supported by an appropriate legal opinion, those claims being filed will not result in significant losses in an amount that would exceed the value of provisions created as at June 30, 2009.

- a provision for real property tax. While preparing statements for real property tax, the Company (like other mining companies in Poland) does not take into account the value of buildings and equipment located in mining excavations for the purpose of calculating this tax. By the decision of May 30, 2008, the Administrator of Puchaczów Commune stated that tax arrears for 2003 on this account amounted to PLN 6,965,000, which was paid by the Company. The amount of tax arrears was calculated based on the assumption that most building structures entered in the fixed assets register maintained for tax purposes as type 200 (construction for mining and extraction) in group 2 (land and water engineering structures) are taxable, although according to recent developments in case law only buildings and equipment located in mining excavations should be subject to taxation, while the excavation itself, understood as "space in a land property or in a rock mass created as a result of mining works" should not be subject to taxation. In 2008, the Company paid a total of PLN 7,968,000 of tax with interest to the Communes of Cyców and Puchaczów. On February 24, 2009 and March 17, 2009 the Local Government Appeals Council in Lublin issued final decisions concerning liabilities on the account of real property tax related to mining excavations for 2003 in the Communes of Cyców and Puchaczów, ruling that the amounts of the tax together with interest paid by the Company to these communes in 2008 should be returned. The Commune Administrator, as the first instance body, is not entitled to file an appeal against the above decision to the Provincial Administrative Court. However, pursuant to Article 53.3 of the Act on Administrative Court Proceedings of August 30, 2002 (Dz.U. No. 153, item 1270 as amended), both the prosecutor and the Ombudsman for Citizens' Rights can file an appeal to the Provincial Administrative Court against the above-mentioned decision within six months of the date of its delivery to the party. On March 31, 2009, the Commune Office in Cyców returned real property tax and interest paid on the basis of the decision of the Administrator of Cyców Commune, together with interest accrued for the period December 5, 2008 to March 31, 2009. Only the amount of the tax and interest paid was received from the Puchaczów Commune Office on April 29, 2009. The Company submitted a request to the Commune Administrator to pay interest accrued for the period June 11, 2008 to April 29, 2009. The communes in which Lubelski Węgiel Bogdanka S.A. conducts coal mining activities are carrying out investigation procedures concerning excavations opened for mining in 2004, by requesting the submission of additional documents and by sending a notice of an intention of employees of the Commune Office to carry out an inspection in this respect.

Based on the above assumption and the fact that other mining communes in Poland have taken action aimed at charging mining companies such a tax, the Company also calculated an amount of arrears on account of real property tax for other periods not covered by statute of limitations and for all communes in which it conducts mining activities. The amount of the provision thus estimated of PLN 48,748,000 is disclosed in the books as at June 30, 2009 (as at June 30, 2008 – PLN 38,146,000).

12. Unusual events affecting the financial result

In connection with the Public Offering, trade unions operating in the Company submitted demands aimed at the conclusion of an incentive plan. On November 27, 2008, as a result of negotiations held between the Company's Management Board and trade unions, the agreement known as the Incentive Plan was signed. The executed document will be effective after the introduction of the Company's shares to public trading on the WSE.
The Incentive Plan is binding from June 26, 2009. The following provisions have a significant impact on the Company's financial standing:
- the payment to employees and former employees of a one-off annual award in the total amount of PLN 36,000,000 within three months as of the first listing of Rights to C Series Shares;
- a contribution being made to the Company Social Fund in the amount of PLN 5,000,000 in 2009.

These abridged financial statements for the first half of 2009 contain a provision created in the amount of PLN 36,000,000 for the payment of a one-off award and a provision in the amount of PLN 2,500,000 for a contribution to the Company Social Benefit Fund. The provisions were charged to the costs of producing goods sold, administrative costs and sales costs.

Other provisions of the Incentive Plan have no significant effect on the Company’s financial standing.

13. Income tax

	Jan. 1, 2009-Jun. 30, 2009	Jan. 1, 2008-Jun. 30, 2008
Current tax	22,304	21,060
Deferred tax	(1,972)	(4,545)
	20,332	**16,515**

Income tax in the interim financial statements was established pursuant to the expected tax rate for 2009 of 19.8% (2008: 22.8%). The effective tax rate applied was determined after conducting an analysis of permanent and temporary differences in income tax for previous years.

The regulations concerning value added tax, real property tax, corporate income tax, personal income tax and social security contributions are frequently changed. As a result, there is sometimes no reference to established regulations or legal precedents. The applicable regulations also contain ambiguities which result in differences in opinions regarding the legal interpretation of tax regulations, both between state authorities and between state authorities and businesses.

Such interpretational doubts concern, for example, tax classification of outlays on creating certain mining excavations. The practice currently applied by the Company and other coal sector companies consists of recognising costs related to the creation of “exploitation excavations”, i.e. excavations which are not part of permanent underground infrastructure of a mine, directly in the tax costs of the period.

However, in the light of applicable tax regulations, it is possible that such costs could be classified for the purpose of corporate income tax in a way that differs from the classification presented by the Company, which could potentially result in adjustments in corporate income tax settlements and the payment of an additional amount of tax, which would be significant.

Tax and other settlements (e.g. customs or foreign currency settlements) can be inspected by the authorities, which are entitled to impose heavy fines, and additional amounts of liabilities established as a result of an inspection must be paid with high interest. As a result, the tax risk in Poland is greater than that which usually exists in countries with more advanced tax systems. Tax settlements can be inspected within a five-year period. Amounts disclosed in the financial statements can therefore be changed after their amount has been finally determined by the tax authorities.

14. Earnings per share

(a) - Basic
Basic earnings per share are calculated as the quotient of the profit attributable to the Company’s shareholders and the weighted average number of ordinary shares during the year.

	6 months of 2009	6 months of 2008
Earnings attributable to the Company’s shareholders	82,069	51,256
Weighted average number of ordinary shares (’000) (*)	23,014	23,014
Basic earnings per share (in PLN per share) (*)	**3.57**	**2.23**

(b) Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares as if an exchange was made for potential ordinary shares causing dilution. The Company does not have instruments causing dilution of potential ordinary shares. Diluted earnings per share are therefore equal to basic earnings per share of the Company.

In June 2009, the Company issued series C shares and introduced its shares to public trading. The increase in capital was registered in July 2009. Details are specified in Note 21.

(*) In view of the division of shares in a ratio of 1:10, the value of earnings per share was calculated on the basis of the number of shares after the division.

15. Dividend per share

In the first half of 2009 and in the same period of 2008, the Company did not pay any dividend to Shareholders. The payment of dividend for 2008, in the amount of PLN 88,832,000, took place in July 2009 (for 2007, it was paid in July 2008, in the amount of PLN 5,638,000).

The dividend rate per share is calculated as the quotient of the dividend attributable to the Company's shareholders and the weighted average number of ordinary shares during the year.

	6 months of 2009	**6 months of 2008**
Dividend due	88,832	5,638
Weighted average number of ordinary shares ('000) (*)	23,014	23,014
Dividend per share (in PLN per share)	**3.86**	**0.24**

(*) In view of the division of shares in a ratio of 1:10, the value of dividend per share was calculated on the basis of the number of shares after the division.

16. Net operating cash inflow

	Note	**Jun. 30, 2009**	**Jun. 30, 2008**
Profit before taxation		102,401	67,771
- Amortisation of tangible fixed assets	5	66,517	64,010
- Amortisation of intangible fixed assets	6	1,133	991
- (Profit)/Loss on sale of tangible fixed assets		(94)	(90)
- Net financial expenses		1,969	2,368
- Change in employee benefits liabilities		37,346	1,366
- Changes in provisions		4,626	37,592
- Other flows		620	745
Changes in working capital			
- Stocks		(28,954)	9,383
- Trade debtors and other receivables		(334)	(12,921)
- Trade creditors and other liabilities		(5,308)	15,855
Operating cash inflow		**179,922**	**187,070**
Balance-sheet change in accounts receivable		334	12,976

(All amounts presented in tables are provided in PLN '000, unless specified otherwise)

Change in accrued interest		-	(54)
Change in accounts receivable for the purposes of the cash flow statement		**334**	**12,922**
Balance-sheet change in liabilities		93,575	(5,286)
Change in investment liabilities		(10,049)	26,779
Liabilities on account of dividend concerning the previous year	15	(88,832)	(5,638)
Change in liabilities for the purposes of the cash flow statement		**(5,308)**	**15,855**

17. Contingent items

The Company has contingent liabilities on account of legal claims arising in the normal course of its business activities and on account of potential real property tax arrears.

No significant liabilities are expected to arise on account of these contingent liabilities, apart from those for which provisions were created (Note 11).

18. Future contingent liabilities

Investment liabilities
Contractual investment liabilities incurred as at the balance-sheet date, but still not disclosed in the balance sheet, amount to:

	Jun. 30, 2009	**Dec. 31, 2008**
Tangible fixed assets	82,346	72,485

19. Transactions with related undertakings

In the reporting periods ending on June 30, 2008 and June 30, 2009, the value of tradeover on account of purchase with the subsidiary "Łęczyńska Energetyka" Sp. z o.o. in Bogdanka and the total liabilities of the Company towards that entity for subsequent balance-sheet dates were as follows:

	Jun. 30, 2009	**Dec. 31, 2008**	**Jun. 30, 2008**
Purchases in period	4,931	10,202	5,954
Total liabilities at end of period including VAT	564	1.158	512

In the reporting periods ending on June 30, 2008 and June 30, 2009, the value of tradeover on account of sales with the subsidiary "Łęczyńska Energetyka" Sp. z o.o. in Bogdanka and the total receivables of the Company towards that entity for subsequent balance-sheet dates were as follows:

	Jun. 30, 2009	**Dec. 31, 2008**	**Jun. 30, 2008**
Sales in period	4,596	6,646	3,253
Total receivables at end of period including VAT	247	1,142	177

(All amounts presented in tables are provided in PLN '000, unless specified otherwise)

As at June 30, 2009 the Company was controlled by the State Treasury, which held 96.8% of the Company's shares.

Information on transactions with undertakings related to the State Treasury

In the reporting periods ending on June 30, 2008 and June 30, 2009, the following entities – companies controlled by the State Treasury – were the most important suppliers of the Company: Huta Łabędy S.A., PGE Lubelskie Zakłady Energetyczne S.A., Fabryka Maszyn Górniczych "Pioma" S.A., the *Office of the Speaker*, Przedsiębiorstwo Produkcyjno-Górnicze "ROW-JAS" Sp. z o.o., REMAG S.A., *Łęczna District*, Kompania Węglowa S.A., PGNiG in Warsaw and Zakład Gazowniczy in Lublin. The value of trade with these entities in subsequent reporting periods and the total liabilities of the Company towards those entities for subsequent balance-sheet dates were as follows:

	Jun. 30, 2009	**Dec. 31, 2008**	**Jun. 30, 2008**
Purchases in period	90,081	163,065	68,905
Total liabilities at end of period including VAT	12,690	8,496	8,085

In the reporting periods ending on June 30, 2008 and June 30, 2009, the following entities – companies controlled by the State Treasury – were the most important customers of the Company: Elektrownia "Kozienice" S.A., ENERGA Elektrownie Ostrołęka S.A., Zakłady Azotowe "Puławy" S.A., PKP Cargo S.A., *MPEC Sp. z o.o. in Chełm*, *MPEC Sp. z o.o. in Białystok*, PGE Elektrownia Opole S.A. and Węglokoks S.A. The value of trade with these entities in subsequent reporting periods and the total receivables of the Company from those entities for subsequent balance-sheet dates were as follows:

	Jun. 30, 2009	**Dec. 31, 2008**	**Jun. 30, 2008**
Sales in period	454,424	897,208	408,482
Total receivables at end of period including VAT	78,662	91,603	64,476

Information on remuneration of the Management Board and the Supervisory Board

	Jun. 30, 2009	**Dec. 31, 2008**	**Jun. 30, 2008**
Remuneration of Management Board members	954	1,543	940
Remuneration of the Supervisory Board members	118	217	112

20. Instability of the markets in Poland and worldwide

The crisis prevailing on the financial markets results, among other factors, in lower liquidity of the banking sector, increased loan interest rates in the interbank sector as well as very high instability of the equity markets. Uncertainty on the global financial markets has also evoked bankruptcies and the implementation of recovery plans in banks in the United States, the Western European countries, Russia and many others. Total impact of the financial crisis is impossible to be estimated and therefore it is impossible to plan and take measures to ensure full protection against its effects. Low liquidity on the financial markets may affect the Company's customers and their ability to pay their receivables. Deteriorating conditions of the customers' business activities may also affect the cash flow forecasted by the Company's Management Board as well as the assessment of the loss in value of financial and non-financial assets. Pursuant to the available information, the Management Board of the Company has taken into account the revised estimates of the forecasted cash flow in the assessment of the loss in value of the assets. Lower liquidity of the banking system and high interest rates may have negative impact on the Company's ability to obtain the debt and on the debt service costs.

The Company’s Management Board is not able to make a reliable estimation of the impact that the possible further deterioration of liquidity on the financial markets and the increased instability on the capital and the foreign exchange markets may have. According to the Management Board, all necessary steps have been taken in order to maintain balance and further development of the Company in the current conditions.

21. Events after the balance-sheet date

On June 22, 2009, pursuant to the decision of the Polish Financial Supervision Authority, Series A and C Shares and Rights to Series C Shares were admitted to public trading on the WSE main market. On June 25, 2009, the Company made its debut on the WSE by introducing Rights to Series C Shares to trading. The issue price of Series C Shares was PLN 48.00 and the value of the public offering was PLN 528 million. The above amount was reduced by the costs of carrying out the offering and disclosed as a capital increase in July 2009. The share capital of the Company was increased by means of an issue of 11 million shares with a value of PLN 55 million and currently amounts to PLN 170,068,000 (PLN 301,158,000 after hyperinflation revaluation). The increase in the share capital was registered on July 10, 2009 by the District Court in Lublin, XI Commercial Division of the National Court Register.

The funds obtained by the Company from the new issue of shares conducted in June 2009 were deposited in the account of the Company on July 15, 2009. The Company is currently financing its investments with its own funds and from a credit facility in Bank PKO BP for PLN 250 million. The commencement of tender procedures for the most asset-intensive investments, such as the extension of the Mechanical Processing Plant for Coal, the construction of a flyover from Stefanów to Bogdanka or general mining works in the Stefanów Field, will mean that the funds obtained from the issue will be used successively in 2009 (probably in the fourth quarter), in 2010 and possibly in 2011.

22. Approval of the financial statements

The Management Board of Lubelski Węgiel Bogdanka S.A. declares that as of August 25, 2009, it approves these abridged interim financial statements of the Company for the period from January 1 to June 30, 2009 for publication.

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD

Name and surname	Position / Function	Date	Signature
Mirosław Taras	President of the Management Board	25.08.2009r.	
Krystyna Borkowska	Vice-President of the Management Board General Accountant	25.08.2009r.	
Zbigniew Stopa	Vice-President of the Management Board	25.08.2009r	
Waldemar Bernaciak	Vice-President of the Management Board	25.08.2009r.	
Janusz Chmielewski	Member of the Management Board	25.08.2009r.	