



LUBELSKI WĘGIEL BOGDANKA CAPITAL GROUP

ABRIDGED CONSOLIDATED QUARTERLY FINANCIAL STATEMENTS

for the first quarter of 2010

as at and for the period ended on 31 March 2010

BOGDANKA, MAY 2010

Additional information to the consolidated quarterly report for the Lubelski Węgiel BOGDANKA S.A. Capital Group and the abridged quarterly financial statements for the Parent Undertaking Lubelski Węgiel BOGDANKA S.A. for the first quarter of 2010.

1. General information

Composition of the Capital Group and the object of the Group's business.

The Lubelski Węgiel Bogdanka S.A. Capital Group (hereinafter referred to as the "Group") is composed of the following companies:

Parent Undertaking - Lubelski Węgiel Bogdanka S.A., with registered office in Bogdanka, 21-013 Puchaczów.

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 13 July 1990.

The deed of transformation of a state-owned 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 1 March 1993 (Rep. A No. 855/1993) by Notary Public Jacek Wojdyło maintaining a Notarial Office in Katowice at ul. Kopernika 26.

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 30 April 1993 (file ref. No. HB - 2993, Ns. Rej. H 669/93).

On 26 March 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.

On 22 June 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 25 June 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 value of the share issue costs, which reduced the value of other capitals, amounted to PLN 6,949,000. 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 10 July 2009 by the District Court in Lublin, XI Commercial Division of the National Court Register.

As a result of transactions of disposal of shares effected by the State Treasury, represented by the Minister of the State Treasury as well as transfer of shares on the basis of contracts on a free-of-charge disposal of shares for the benefit of eligible employees under the Act on Commercialisation and Privatisation, Lubelski Węgiel BOGDANKA Spółka Akcyjna has lost the status of the Company owned by the State Treasury.

The Company's core business activities, pursuant to the European Classification of Activity (EKD 0510Z), are mining and agglomeration of hard coal.

The subsidiary - Łęczyńska Energetyka Sp. z o.o., with registered office in Bogdanka, 21-013, Puchaczów.

As at 31 March 2010, the Company held 88.70% of share in capital of its subsidiary Łęczyńska Energetyka Sp. z o.o.

Łęczyńska Energetyka Sp. z o.o. provides services to mines involving supplying heat energy and conducts water/wastewater management. The company also conducts activities involving the construction and refurbishment of heat-generating, water supply and sewage disposal installations. The company prepares its balance sheet as at 31 May.

The Group's affiliated undertakings are:

EKSPERT Sp. z o.o. with registered office in Bogdanka, 21-013, Puchaczów.

As at 31 March 2010, Łęczyńska Energetyka Sp. z o.o. held 50% of shares in the capital of the affiliated undertaking, EKSPERT Sp. z o.o.

2. Principles applied in preparing the consolidated quarterly report and the quarterly abridged financial statements of Lubelski Węgiel Bogdanka S.A.

The financial statements were prepared in compliance with the International Accounting Standards and International Financial Reporting Standards as well as the Regulation of the Minister of Finance on current and periodic information published by issuers of securities and the conditions for deeming equally important the information required by provisions of law of a country which is not a Member State of 19 February 2009 (Dz.U. of 2009 No. 33, item 259).

Data for the consolidated quarterly report and the abridged quarterly financial statements of Lubelski Węgiel Bogdanka S.A. has been prepared in compliance with the same accounting principles and calculation methods as in the previous annual financial statements.

3. Brief description of achievements and failures of the Company during the reporting period, along with the list of the related key events

In the first quarter of 2010, i.e. on 9 March, the Ministry of State Treasury sold 15,882,000 ordinary bearer shares of Lubelski Węgiel BOGDANKA held by the State Treasury. Before the transactions the State Treasury held the total of 20,589,931 Company shares, representing in total 60.53% share in the share capital. Subsequently, in the period between 7 April and 21 April 2010 the Ministry of State Treasury disposed of the Company's shares with a par value of PLN 5 per share as a result of concluding 1,551 contracts on a free-of-charge disposal of shares for the benefit of the eligible persons under the Act on Commercialisation and Privatisation. Currently the State Treasury holds the total of 3,360,796 Company's shares, representing in total 9.88% share in the share capital of the Company, which accounts for 9.88% of the total vote at the General Shareholders Meeting.

With regard to the conducted activities under analysis, the following events took place at the Parent Undertaking in the first quarter of 2010:

- on 15 January 2010 Annex No. 5 to the Long-Term Agreement on Sale of Power Coal No. 3/W/2007, was concluded with Elektrownia Połaniec S.A. – Grupa GDF SUEZ ENERGIA POLSKA (Current Report 2/2010);
- on 26 January 2010 an agreement on the extension of the shaft top building for Shaft 2.1 was concluded with PEMUG S.A. in Katowice;
- in February 2009, the Company received the report from the inspection carried out by the Fiscal Inspection Authority in Lublin, case no. WIP-410-128/08-0736-01 and 02 regarding

the correctness of settlements with the central budget for the corporate income tax for 2006 and for VAT for months from January to December 2006. No irregularities regarding the settlement of the above taxes were found.

- on 2 March 2010, an insurance agreement regarding the Company's assets was concluded with WARTA S.A.
- on 4 March 2010 the Company concluded a new Long-Term Agreement on the Supply of Power Coal for the period 2011-2025 with Elektrownia Kozienice S.A. registered office in Świerże Górne. Estimated net value of the agreement according to supply prices in the current year accounts for PLN 10,432 million;

4. Description of factors and events, in particular of untypical nature, with a significant bearing on the financial results

In the first quarter of 2010 no untypical events occurred that would have a significant bearing on the financial results achieved both by the Lubelski Węgiel Bogdanka S.A. Capital Group and its Parent Undertaking.

Lubelski Węgiel Bogdanka S.A. Capital Group

I quarter of 2010

In the first quarter of 2010 the consolidated net revenue on sales of products, goods and materials achieved the level of PLN 294,096,000 while in the comparable period of 2009 the consolidated revenue on sales of products, goods and materials amounted to PLN 244,506,000.

The consolidated operating profit in Q1 2010 amounted to PLN 62,164,000.

As a result of achieving the operating profit, in the first quarter of 2010 net profit attributable to the shareholders of the Parent Undertaking was recorded in the amount of PLN 52,957,000, while in the comparable period of 2009 the Capital Group recorded net profit attributable to the shareholders of the Parent Undertaking of PLN 47,186,000.

Parent Undertaking - Lubelski Węgiel Bogdanka S.A.

I quarter of 2010

In the first quarter of 2010 the net revenue on sales of products, goods and materials achieved the level of PLN 292,019,000, while in the comparable period of 2009 the item amounted to PLN 242,052,000, which represents an increase in the net revenue in 2010 by 20.64%.

The operating profit in Q1 2010 amounted to PLN 60,151,000.

The net profit for the first quarter of 2010 amounted to PLN 51,044,000, while in the comparable period of the previous year the Company recorded the net profit of PLN 45,634,000.

Lubelski Węgiel Bogdanka S.A. Capital Group

As at 31 March 2010, the balance of total provisions for other liabilities and charges and the total amount of retirement benefits and long-service awards payable in the member companies of the Lubelski Węgiel Bogdanka S.A. Capital Group amounted to PLN 260,261,000, which represents an increase by PLN 8,660,000 in comparison to the balance as at 31 December 2009.

For the first quarter of 2010, deferred income tax liability occurred in the amount of PLN 52,070,000, which represents a decrease by PLN 6,208,000 in comparison to the balance of this item as at 31 December 2009.

Parent Undertaking - Lubelski Węgiel Bogdanka S.A.

The Parent Undertaking Lubelski Węgiel Bogdanka S.A. recorded as at 31 March 2010 the balance of provisions for other liabilities and charges and the retirement benefits and long service awards payable in the amount of PLN 259,591,000, which represents an increase by PLN 8,602,000 in comparison to the balance as at 31 December 2009.

As at 31 March 2010, deferred income tax liability occurred in the amount of PLN 53,853,000, which represents a decrease by PLN 6,050,000 in comparison to the balance of this item as at 31 December 2009.

5. Information regarding seasonal or cyclical character of the Issuer's activity in the discussed period

The production is not seasonal, whereas seasonal character of sales can be noticed in the case of retail sales at a point of coal sale. Sales for individual customers account for 2.0% of the total sales. This has no significant effect on operating and financing activity of the Group.

6. Information about the issue, redemption and repayment of debt and equity securities

In the first quarter of 2010, the Parent Undertaking performed no transactions involving issue, redemption or repayment of debt and equity securities.

7. Information concerning the dividend paid (or declared), in aggregate and calculated per share, divided into ordinary and preferred shares

In the first quarter of 2010 and in the same period of 2009, the Parent Undertaking 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 shareholders of the Parent Undertaking and the number of ordinary shares as at the dividend date.

	2009	2008
Dividend paid	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

8. Events after the balance-sheet date not disclosed in the consolidated financial statements

The presented results for the first quarter of 2010 refer to the events, identified by the Capital Group, that occurred in this period. After the balance-sheet date no events affecting the financial results occurred that would not be disclosed in the Consolidated Quarterly Report.

9. Information on changes in contingent liabilities or contingent assets, occurring following the end of the previous financial year

Since the previous consolidated report the balance of contingent liabilities has not changed significantly.

10. Transactions of the Lubelski Węgiel Bogdanka S.A. Capital Group with related entities

Transactions of the Parent Undertaking with related entities

All transactions with the subsidiary are concluded as part of regular operations of the Parent Undertaking and are performed on an arms' length basis.

The revenue of the Parent Undertaking resulting from the cooperation with its subsidiary, Łęczyńska Energetyka, primarily refer to the sale of coal and brick as well as the payments for lease of premises, telecommunications services and re-invoicing the cost of electricity.

Purchases primarily include the purchase of heat power, potable water and the maintenance services for sewage installations, central heating, tailwater and water grid.

In the reporting periods ending on 31 March 2009 and 31 March 2010, 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 Parent Undertaking towards that related entity for subsequent balance-sheet dates were as follows:

	31 Mar. 2010	31 Dec. 2009	31 Mar. 2009
Purchases in period	4,767	9,353	3,335
Total liabilities at end of period including VAT	1,270	1,355	1,100

In the reporting periods ending on 31 March 2010 and 31 March 2009, the value of tradeover on account of sale with the subsidiary "Łęczyńska Energetyka" Sp. z o.o. in Bogdanka and the total accounts receivable of the Parent Undertaking towards that related entity for subsequent balance-sheet dates were as follows:

	31 Mar. 2010	31 Dec. 2009	31 Mar. 2009
Sales in period	4,856	9,475	3,556
Total receivables at end of period including VAT	1,240	1,681	1,100

11. Reporting by segments: industry and location

The Management Board does not apply division into segments for managing the Group since the Group mainly focuses its activities on the production and sale of coal.

Consolidated Statement of Financial Position (Balance Sheet)

	31 Mar. 2010	31 Dec. 2009
Assets		
Fixed assets		
Tangible fixed assets	1,706,166	1,558,727
Intangible fixed assets	11,726	12,199
Investments in affiliated undertakings	34	77
Trade debtors and other receivables	367	367
Cash and cash equivalents	46,768	46,158
	<u>1,765,061</u>	<u>1,617,528</u>
Current assets		
Stocks	52,917	50,382
Trade debtors and other receivables	152,538	117,491
Overpaid income tax	-	2,754
Cash and cash equivalents	643,603	681,659
	<u>849,058</u>	<u>852,286</u>
TOTAL ASSETS	<u>2,614,119</u>	<u>2,469,814</u>
Shareholders' equity		
Shareholders' equity attributable to shareholders of the Parent Undertaking		
Ordinary shares	301,158	301,158
Other capitals	890,456	890,456
Retained profits	591,297	538,340
	<u>1,782,911</u>	<u>1,729,954</u>
Minority interests	8,756	8,943
Total shareholders' equity	<u>1,791,667</u>	<u>1,738,897</u>
Liabilities		
Long-term liabilities		
Loans and borrowings	250,000	250,000
Deferred income tax liabilities	52,070	58,278
Employee benefits liabilities	101,942	98,588
Provisions for other liabilities and charges	63,079	63,079
Trade creditors and other liabilities	7,488	7,834
	<u>474,579</u>	<u>477,779</u>
Short-term liabilities		
Current income tax liabilities	4,004	-
Employee benefits liabilities	26,169	26,338
Provisions for other liabilities and charges	69,071	63,596
Trade creditors and other liabilities	248,629	163,204
	<u>347,873</u>	<u>253,138</u>
Total liabilities	<u>822,452</u>	<u>730,917</u>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	<u>2,614,119</u>	<u>2,469,814</u>

Consolidated Statement of Comprehensive Income

	Q1 2010 period from 1 Jan. 2010 to 31 Mar. 2010	Q1 2009 period from 1 Jan. 2009 to 31 Mar. 2009
Revenue on sales	294,096	244,506
Cost of products, goods and materials sold	(198,424)	(160,919)
Gross profit	95,672	83,587
Selling costs	(8,917)	(10,640)
Administrative costs	(16,436)	(14,238)
Other income	2,013	1,434
Other expenses	(1,566)	(1,100)
Other profits/(losses) - net	(8,602)	86
Operating profit	62,164	59,129
Financial income	6,238	1,175
Financial expenses	(2,650)	(1,741)
Net financial income/expenses	3,588	(566)
Share in (losses)/profits of affiliated undertakings	46	435
Profit before taxation	65,798	58,998
Income tax	(13,028)	(11,682)
Net profit for the financial year	52,770	47,316
including:		
- attributable to shareholders of the Parent Undertaking	52,957	47,186
- attributable to minority shareholdings	(187)	130
Total income for the period	52,770	47,316
including:		
- attributable to shareholders of the Parent Undertaking	52,957	47,186
- attributable to minority shareholdings	(187)	130
Earnings per share attributable to the shareholders of the Parent Undertaking during the year (in PLN per share)		
- basic	1.55	2.06
- diluted	1.55	2.06

Consolidated Statement of Changes in Shareholders' Equity

	Attributable to shareholders of the Parent Undertaking			Total	Minority interests	Total shareholders' equity
	Ordinary shares	Other capitals	Retained profits			
As at 1 January 2009	246,158	400,015	460,090	1,106,263	9,485	1,115,748
Total income for the accounting period	-	-	47,186	47,186	130	47,316
As of 31 March 2009	246,158	400,015	507,276	1,153,449	9,615	1,163,064
As at 1 January 2010	301,158	890,456	538,340	1,729,954	8,943	1,738,897
Total income for the accounting period	-	-	52,957	52,957	(187)	52,770
As of 31 March 2010	301,158	890,456	591,297	1,782,911	8,756	1,791,667

Consolidated Cash Flow Statement

	For Q1 ended on 31 March	
	2010	2009
Operating cash flow		
Operating cash inflow	218,452	59,871
Interest paid	(2,343)	(1,491)
Income tax paid	(12,293)	(2,768)
Net operating cash flow	203,816	55,612
Investing cash flow		
Acquisition of tangible fixed assets	(248,185)	(54,759)
Acquisition of intangible fixed assets	-	(66)
Inflow from the sale of tangible fixed assets	202	13
Interest received	6,721	992
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	(610)	(794)
Net investing cash flow	(241,872)	(54,614)
Financing cash flow		
Loans and borrowings received	-	50,000
Other net financing cash flow	-	530
Net financing cash flow	-	50,530
Net increase / (decrease) in cash and cash equivalents	(38,056)	51,528
Cash and cash equivalents at beginning of period	681,659	99,874
Cash and cash equivalents at end of period	643,603	151,402

Statement of Financial Position (Balance Sheet) of Lubelski Węgiel Bogdanka S.A.

	31 Mar. 2010	31 Dec. 2009
Assets		
Fixed assets		
Tangible fixed assets	1,669,238	1,521,808
Intangible fixed assets	11,695	12,084
Long-term investments	73,341	73,341
Cash and cash equivalents	46,768	46,158
	<u>1,801,042</u>	<u>1,653,391</u>
Current assets		
Stocks	51,815	49,223
Trade debtors and other receivables	149,951	113,719
Overpaid income tax	-	2,754
Cash and cash equivalents	600,462	640,432
	<u>802,228</u>	<u>806,128</u>
TOTAL ASSETS	<u>2,603,270</u>	<u>2,459,519</u>
Shareholders' equity		
Ordinary shares	301,158	301,158
Other capitals	894,535	894,535
Retained profits	585,868	534,824
Total shareholders' equity	<u>1,781,561</u>	<u>1,730,517</u>
Liabilities		
Long-term liabilities		
Loans and borrowings	250,000	250,000
Deferred income tax liabilities	53,853	59,903
Employee benefits liabilities	101,272	97,976
Provisions for other liabilities and charges	63,079	63,079
Trade creditors and other liabilities	7,488	7,834
	<u>475,692</u>	<u>478,792</u>
Short-term liabilities		
Current income tax liabilities	4,004	-
Employee benefits liabilities	26,169	26,338
Provisions for other liabilities and charges	69,071	63,596
Trade creditors and other liabilities	246,773	160,276
	<u>346,017</u>	<u>250,210</u>
Total liabilities	<u>821,709</u>	<u>729,002</u>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	<u>2,603,270</u>	<u>2,459,519</u>

Statement of Comprehensive Income of Lubelski Węgiel BOGDANKA S.A.

	Q1 2010 period from 1 Jan. 2010 to 31 Mar. 2010	Q1 2009 period from 1 Jan. 2009 to 31 Mar. 2009
Revenue on sales	292,019	242,052
Cost of products, goods and materials sold	(198,416)	(159,715)
Gross profit	93,603	82,337
Selling costs	(8,989)	(10,887)
Administrative costs	(16,132)	(13,874)
Other income	1,853	1,434
Other expenses	(1,566)	(1,100)
Other profits/(losses) - net	(8,618)	88
Operating profit	60,151	57,998
Financial income	6,144	642
Financial expenses	(2,649)	(1,739)
Net financial income/expenses	3,495	(1,097)
Profit before taxation	63,646	56,901
Income tax	(12,602)	(11,267)
Net profit for the period	51,044	45,634
Total income for the period	51,044	45,634
Earnings per share attributable to the Company's shareholders during the year (in PLN per share)		
- basic	1.50	1.98
- diluted	1.50	1.98

Statement of Changes in Shareholders' Equity of Lubelski Węgiel BOGDANKA S.A.

	Ordinary shares	Other capitals	Retained profits	Total shareholders' equity
As at 1 January 2009	246,158	404,094	455,993	1,106,245
Total income for the accounting period	-	-	45,634	45,634
As of 31 March 2009	246,158	404,094	501,627	1,151,879
As at 1 January 2010	301,158	894,535	534,824	1,730,517
Total income for the accounting period	-	-	51,044	51,044
As of 31 March 2010	301,158	894,535	585,868	1,781,561


Cash Flow Statement of Lubelski Węgiel BOGDANKA S.A.

	For Q1 ended on 31 March	
	2010	2009
Operating cash flow		
Operating cash inflow	215,647	57,861
Interest paid	(2,343)	(1,491)
Income tax paid	(11,894)	(2,519)
Net operating cash flow	<u>201,410</u>	<u>53,851</u>
Investing cash flow		
Acquisition of tangible fixed assets	(247,599)	(54,156)
Acquisition of intangible fixed assets	-	(66)
Inflow from the sale of tangible fixed assets	202	13
Interest received	6,627	566
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	(610)	(794)
Net investing cash flow	<u>(241,380)</u>	<u>(54,437)</u>
Financing cash flow		
Loans and borrowings received	-	50,000
Net financing cash flow	<u>-</u>	<u>50,000</u>
Net increase / (decrease) in cash and cash equivalents	(39,970)	49,414
Cash and cash equivalents at beginning of period	640,432	57,502
Cash and cash equivalents at end of period	<u>600,462</u>	<u>106,916</u>

12. Approval of the financial statements

The Management Board of Lubelski Węgiel Bogdanka S.A. hereby declares that as at 13 May 2010 it approves these consolidated quarterly report and the abridged consolidated quarterly financial statements for the first quarter of 2010 for the period between 1 January 2010 and 31 March 2010.

Mirosław Taras President of the Board



Krystyna Borkowska Vice-President of the Board
for Economic and Financial Affairs – Chief
Accountant



Waldemar Bernaciak Vice-President of the Board for Trade
and Logistics



Zbigniew Stopa Vice-President of the Board
for Technical Affairs



Janusz Chmielewski Member of the Board elected by
employees