THE LUBELSKI WĘGIEL BOGDANKA S.A. GROUP

ABRIDGED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the period of six months ended 30 June 2010

BOGDANKA, AUGUST 2010

Contents of the Consolidated Interim Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET).. 3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME... 4

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY... 5

CONSOLIDATED CASH FLOW STATEMENT 6

NOTES ON THE ABRIDGED CONSOLIDATED INTERIM FINANCIAL STATEMENTS.............................. 7

1. General 7
   1.1. Composition of the Group and the object of the Group's business.. 7
   1.2. Assumption of continued business activity.. 8
2. Description of key accounting principles applied.. 8
   2.1. Basis of preparation 8
3. Information on business segments.. 9
4. Information regarding seasonality 10
5. Tangible fixed assets 11
6. Intangible assets.. 12
7. Investments in affiliated undertakings.. 13
8. Share capital 13
9. Other capitals.. 14
10. Loans and borrowings 14
11. Employee benefits liabilities 15
12. Provisions for other liabilities and charges... 16
13. Unusual events affecting the financial result.. 18
14. Income tax 18
15. Earnings per share 19
16. Dividend per share.. 19
17. Net operating cash inflow... 20
18. Contingent items.. 20
19. Future contractual liabilities 21
20. Related party transactions.. 21

Information on remuneration of the Management Board and the Supervisory Board....................................... 21

21. Events after the balance-sheet date... 21
22. Approval of the consolidated financial statements 21

(All amounts in the tables are in PLN thousand, unless otherwise specified)

Consolidated Statement of Financial Position (Balance Sheet)

	Note	30 Jun. 2010	31 Dec. 2009
Assets			
Fixed assets			
Tangible fixed assets	5	1,840,196	1,558,727
Intangible assets	6	11,402	12,199
Investments in affiliated undertakings	7	53	77
Trade debtors and other receivables		367	367
Cash and cash equivalents		47,351	46,158
		1,899,369	1,617,528
Current assets			
Stocks		61,943	50,382
Trade debtors and other receivables		131,888	117,491
Overpaid income tax		-	2,754
Cash and cash equivalents		577,170	681,659
		771,001	852,286
TOTAL ASSETS		**2,670,370**	**2,469,814**
Shareholders' equity			
Shareholders' equity attributable to shareholders of the Parent Undertaking			
Ordinary shares	8	301,158	301,158
Other capitals	9	1,082,509	890,456
Retained earnings		452,495	538,340
		1,836,162	1,729,954
Minority interests		**9,655**	**8,943**
Total shareholders' equity		**1,845,817**	**1,738,897**
Liabilities			
Long-term liabilities			
Loans and borrowings	10	244,000	250,000
Deferred income tax liabilities		54,445	58,278
Employee benefits liabilities	11	105,223	98,588
Provisions for other liabilities and charges	12	65,145	63,079
Trade creditors and other liabilities		6,900	7,834
		475,713	477,779
Short-term liabilities			
Loans and borrowings	10	6,000	-
Current income tax liabilities		1,680	-
Employee benefits liabilities	11	24,743	26,338
Provisions for other liabilities and charges	12	72,699	63,596
Trade creditors and other liabilities		243,718	163,204
		348,840	253,138
Total liabilities		**824,553**	**730,917**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2,670,370**	**2,469,814**

(All amounts in the tables are in PLN thousand, unless otherwise specified)

Consolidated Statement of Comprehensive Income

	Note	For 6 months ended 30 June 2010	2009
Sales revenue		578,099	520,795
Cost of products, goods and materials sold		(394,996)	(361,175)
Gross profit		**183,103**	**159,620**
Selling costs		(19,418)	(23,603)
Administrative costs		(32,203)	(32,459)
Other income		2,251	2,569
Other expenses		(1,745)	(1,104)
Other profits/(losses) - net		(5,350)	(477)
Operating profit		**126,638**	**104,546**
Financial income		12,869	4,830
Financial expenses		(6,664)	(5,535)
Net financial income/expenses		6,205	(705)
Share in profits/(losses) of affiliated undertakings	7	(24)	392
Pre-tax profit		**132,819**	**104,233**
Income tax	14	(25,899)	(20,695)
Financial year's net profit		**106,920**	**83,538**
including:			
- attributable to shareholders of the Parent Undertaking	15	106,208	83,413
- attributable to minority interest		712	125
Total income for the period		**106,920**	**83,538**
including:			
- attributable to shareholders of the Parent Undertaking	15	106,208	83,413
- attributable to minority interests		712	125
Earnings per share attributable to the shareholders of the Parent Undertaking during the year (in PLN per share)			
- basic		3.12	3.62
- diluted		3.12	3.62

Notes presented on pages 7-21 constitute an integral part of these abridged consolidated interim financial statements.

(All amounts in the tables are in PLN thousand, unless otherwise specified)

Consolidated Statement of Changes in Shareholders' Equity

	Attributable to shareholders of the Parent Undertaking					
	Ordinary shares	**Other capitals**	**Retained earnings**	**Total**	**Minority interests**	**Total shareholders' equity**
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	-	-	83,413	83,413	125	83,538
Dividends concerning 2008 (Note 16)	-	-	(88,832)	(88,832)	-	(88,832)
Transfer of the result for 2008	-	24,390	(24,390)	-	-	-
As at 30 June 2009	**246,158**	**424,405**	**430,281**	**1,100,844**	**9,610**	**1,110,454**
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	-	-	106,208	106,208	712	106,920
Transfer of the result for 2009	-	192,053	(192,053)	-	-	-
As at 30 June 2010	**301,158**	**1,082,509**	**452,495**	**1,836,162**	**9,655**	**1,845,817**

(All amounts in the tables are in PLN thousand, unless otherwise specified)

Consolidated Cash Flow Statement

	Note	For the 6 months ended 30 June	
		2010	**2009**
Operating cash flow			
Operating cash inflow	17	190,830	182,902
Interest paid		(5,192)	(3,112)
Income tax paid		(25,245)	(19,587)
Net operating cash flow		160,393	160,203
Investing cash flow			
Acquisition of tangible fixed assets		(275,245)	(163,513)
Acquisition of intangible fixed assets		(55)	(4,078)
Inflow from the sale of tangible fixed assets		15	204
Interest received		11,596	3,977
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund		(1,193)	(43)
Net investing cash flow		(264,882)	(163,453)
Financing cash flow			
Loans and borrowings received		-	180,000
Loans and borrowings repaid		-	(15,000)
Other net financing cash flow		-	(1,660)
Net financing cash flow		-	163,340
Net increase / (decrease) in cash and cash equivalents		(104,489)	160,090
Cash and cash equivalents at beginning of period		681.659	99,874
Cash and cash equivalents at end of period		**577.170**	**259,964**

Notes presented on pages 7-21 constitute an integral part of these abridged consolidated interim financial statements.

Notes on the Abridged Consolidated Interim Financial Statements

1. General

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

The Lubelski Węgiel Bogdanka S.A. 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 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 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. Share capital of the Company was increased, which has been described in detail in Note 8. 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 30 June 2010, the Parent Undertaking held 88.70% of shares in the capital of the subsidiary undertaking 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 Group's affiliated undertakings are:

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

As at 30 June 2010, Łęczyńska Energetyka Sp. z o.o. held 50% of shares in the capital of the affiliated undertaking EKSPERT Sp. z o.o.

1.2. Assumption of continued business activity

The Abridged Consolidated 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 Group'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 Group's activities.

2. Description of key accounting principles applied

These Abridged Consolidated Interim Financial Statements follow the same accounting principles (policies) and calculating methods as the latest annual consolidated financial statements.

2.1. Basis of preparation

These Abridged Consolidated Interim Financial Statements of the LW "Bogdanka" S.A. Group for the first six months of 2010 were prepared in accordance with International Accounting Standard 34 – "Interim Financial Reporting."

These Abridged Consolidated 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. 1 January 2005.

Drawing up the abridged consolidated interim financial statements in accordance with IAS 34 requires the use of certain significant accounting estimates. It also requires that Management Board exercise its own judgment while applying accounting principles adopted by the Group. The main estimates and judgements have not changed since the publication of the annual consolidated financial statements for 2009.

(a) New standards and interpretations effective as of 1 January 2010.

- Improvements to IFRS 2009

On 16 April 2009 the International Accounting Standards Board published "Improvements to IFRS 2009" amending 12 standards. The improvements include changes in the presentation, recognition and measurement, as well editorial and terminological changes. Eight changes are effective for annual periods beginning as of 1 January 2010. The changes concern the following:
- IFRS 5 "Non-current assets held for sale and discontinued operations"
- IFRS 8 "Operating Segments"
- IAS 1 "Presentation of Financial Statements"
- IAS 7 "Statement of cash flows"
- IAS 17 "Lease"
- IAS 18 "Revenue"
- IAS 36 "Impairment of assets"
- IAS 38 "Intangible assets"
- IAS 39 "Financial instruments: recognition and measurement."

The Group applied improvements to the IFRS pursuant to transitional provisions. The introduction of the standard does not affect the consolidated financial statements of the Group.

- Improvements to IFRS 2 “Share-based payment”

Changes in IFRS 2 “Share-based payment” were published by the International Accounting Standards Board on 18 June 2009 and are effective for annual periods beginning on or after 1 January 2010.
The changes specify more precisely the recognition of share-based payments settled in cash within a capital group. They make the scope of IFRS 2 more specific and regulate the joint application of IFRS 2 and other standards. The changes introduce to the standard issues regulated previously in IFRIC 8 and IFRIC 11.
The introduction of the standard does not affect the consolidated financial statements of the Group.

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

In these consolidated financial statements, the Group did not decide to earlier apply the following published standards or interpretations before they become effective:

- Changes in IAS 24 “Related party disclosures”
- IFRS 9 “Financial Instruments”
- Changes in IFRS 1 “First-time adoption of IFRS” published on 28 January 2010.
- Changes in IFRIC 14 “Prepayments of a minimum funding requirement”
- Changes in IAS 32 “Classification of rights issues”
- Improvements to IFRS 2010
- IFRIC 19 “Extinguishing financial liabilities with equity instruments”

(c) Existing standards, changes and interpretations to the existing standards which are not applicable to the operations of the Group.

- IFRS 3 (Z) “Business combinations”
- IFRS 8 "Operating segments"
- Changes in IAS 39 "Financial instruments: recognition and measurement” – “Eligible hedged items”
- IFRIC 12 ”Service concession agreements”
- IFRIC 15 “Agreements for the construction of real estate”
- IFRIC 16 “Hedges of a net investment in a foreign operation”
- IFRIC 17 “Distribution of non-cash assets to owners”
- IFRIC 18 “Transfers of assets from customers”
- IFRIC 13 “Customer loyalty programmes”
- Changes in IFRS 1 “First-time adoption of IFRS” published on 23 July 2009.

3. Information on business segments

IFRS 8 – “Operating segments” is applicable for the purposes of preparing these consolidated interim financial statements. That standard requires that financial statements of the undertaking present a series of data concerning individual segments, while the approach to segmentation of the undertaking 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 Group since the Parent Undertaking mainly focuses its activities on the production and sale of coal. Revenue on sales of other products and services in the period between 1 January 2010 and 30 June 2010 amounted to PLN 18,185,000 (compared to PLN 21,058,000 in the first half of 2009), which account for 3.15% and 4.04% of total revenue on sales, respectively.

The Group operates primarily in Poland. In the period between 1 January 2010 and 30 June 2010, revenue from foreign sales amounted to PLN 404,000, which accounts for 0.06% of total revenue on sales in the year in question. The Group does not hold assets or liabilities outside Poland.

Accordingly, the Group does not present its results by geographical segments.

4. Information regarding seasonality

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 1.77% of the total sales. This has no significant effect on operating and financing activity of the Group.

(All amounts in the tables are in PLN thousand, unless otherwise specified)

5. Tangible fixed assets

	Land	Buildings and structures (including mining excavations)	Plant and machinery	Means of transport	Other	Assets under construction	Total
As at 1 January 2009							
Cost or assessed value	2,097	1,133,335	669,909	88,034	12,555	254,683	2,160,613
Depreciation	-	(430,639)	(345,028)	(43,384)	(7,603)	-	(826,654)
Net book value	**2,097**	**702,696**	**324,881**	**44,650**	**4,952**	**254,683**	**1,333,959**
As at 30 June 2009							
Net book value at beginning of year	2,097	702,696	324,881	44,650	4,952	254,683	1,333,959
Increases	36	35,164	16,353	3,695	730	171,768	227,746
Decreases	-	(85)	(22)	-	(4)	(53,795)	(53,906)
Depreciation	-	(42,450)	(19,756)	(5,213)	(587)	-	(68,006)
Net book value	**2,133**	**695,325**	**321,456**	**43,132**	**5,091**	**372,656**	**1,439,793**
As at 30 June 2009							
Cost or assessed value	2,133	1,198,092	673,565	88,648	13,225	372,656	2,348,319
Depreciation	-	(502,767)	(352,109)	(45,516)	(8,134)	-	(908,526)
Net book value	**2,133**	**695,325**	**321,456**	**43,132**	**5,091**	**372,656**	**1,439,793**
As at 1 January 2010							
Cost or assessed value	3,101	1,391,301	723,819	93,171	15,203	296,905	2,523,500
Depreciation	-	(538,296)	(368,968)	(48,840)	(8,669)	-	(964,773)
Net book value	**3,101**	**853,005**	**354,851**	**44,331**	**6,534**	**296,905**	**1,558,727**
As at 30 June 2010							
Net book value at beginning of year	3,101	853,005	354,851	44,331	6,534	296,905	1,558,727
Increases	1,262	72,299	178,288	4,408	166	351,474	607,897
Decreases	-	(11,958)	(231)	(154)	-	(246,860)	(259,203)
Depreciation	-	(41,971)	(22,046)	(2,603)	(605)	-	(67,225)
Net book value	**4,363**	**871,375**	**510,862**	**45,982**	**6,095**	**401,519**	**1,840,196**
As at 30 June 2010							
Cost or assessed value	4,363	1,412,449	896,369	97,170	15,314	401,519	2,827,164
Depreciation	-	(541,074)	(385,507)	(51,188)	(9,219)	-	(986,968)
Net book value	**4,363**	**871,375**	**510,862**	**45,982**	**6,095**	**401,519**	**1,840,196**

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.

(All amounts in the tables are in PLN thousand, unless otherwise specified)

6. Intangible assets

	Computer software	Fees, licences	Geological information	Other	Total
As at 1 January 2009					
Cost or assessed value	2,797	781	10,789	79	14,446
Amortisation	(1,708)	(563)	(2,027)	(7)	(4,305)
Net book value	**1,089**	**218**	**8,762**	**72**	**10,141**
As at 30 June 2009					
Net book value at beginning of year	1,089	218	8,762	72	10,141
Increases	613	-	-	3,382	3,995
Amortisation	(467)	(17)	(585)	(74))	(1,143)
Net book value	**1,235**	**201**	**8,177**	**3,380**	**12,993**
As at 30 June 2009					
Cost or assessed value	3,509	339	10,789	3,422	18,059
Amortisation	(2,274)	(138)	(2,612)	(42)	(5,066)
Net book value	**1,235**	**201**	**8,177**	**3,380**	**12,993**
As at 1 January 2010					
Cost or assessed value	3,635	4,449	10,789	225	19,098
Amortisation	(2,624)	(894)	(3,302)	(79)	(6,899)
Net book value	**1,011**	**3,555**	**7,487**	**146**	**12,199**
As at 30 June 2010					
Net book value at beginning of year	1,011	3,555	7,487	146	12,199
Presentation adjustment	106	(62)	(26)	(28)	(10)
Increases	49	10	-	-	59
Amortisation	(97)	(95)	(586)	(68)	(846)
Net book value	**1,069**	**3,408**	**6,875**	**50**	**11,402**
As at 30 June 2010					
Cost or assessed value	3,603	4,262	11,235	59	19,159
Amortisation	(2,534)	(854)	(4,360)	(9)	(7,757)
Net book value	**1,069**	**3,408**	**6,875**	**50**	**11,402**

7. Investments in affiliated undertakings

	6 months of 2010	6 months of 2009
As at the beginning of period	77	8
Purchase of a new undertaking	-	-
Share in (losses)/profits	(24)	392
As at the end of period	**53**	**400**

Shares of the Group in affiliated undertakings, of which none is a listed company, and shares in aggregated assets, liabilities, revenues and profits were as follows:

Name of the undertaking	Registration country	Assets	Liabilities	Revenue	Profit/ (Loss)	Shares held (%)
6 months of 2009						
EKSPERT Sp. z o.o.	Poland	386	119	1,585	294	44.4
Górnik Łęczna S.A.	Poland	2,074	1,313	5,814	702	35.0
		2,460	1,432	7,399	996	
6 months of 2010						
EKSPERT Sp. z o.o.	Poland	329	224	563	(48)	44.4
		329	224	563	(48)	

8. Share capital

	Number of shares ('000)	Ordinary shares - par value	Hyperinflation adjustment	Total
As at 1 January 2009	23,014	115,068	131,090	246,158
As at 30 June 2009	23,014	115,068	131,090	246,158
As at 1 January 2010	34,014	170,068	131,090	301,158
As at 30 June 2010	34,014	170,068	131,090	301,158

All shares issued by the Parent Undertaking have been fully paid up.

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 Parent Undertaking 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 Parent Undertaking's share capital was increased by means of an issue of 11 million Shares with the value of PLN 55 million and currently amounts to PLN 170,068,000 (PLN 301,158,000 after revaluation under hyperinflation). 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.

(All amounts in the tables are in PLN thousand, unless otherwise specified)

On 9 March 2010 the Ministry of State Treasury sold 15,882,000 ordinary bearer shares of the Parent Undertaking Lubelski Węgiel Bogdanka S.A. held by the State Treasury. Before the transactions the State Treasury held a 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 Parent Undertaking's shares with a nominal value of PLN 5 per share as a result of concluding 1,551 agreements on a free-of-charge disposal of shares for the benefit of eligible persons pursuant to the Act on Commercialisation and Privatisation. The Ministry of State Treasury also disposed of 1,668,896 shares of the Parent Undertaking with a nominal value of PLN 5 per share in the period between 22 April and 1 June 2010 as a result of concluding agreements on a free-of-charge disposal of shares for the benefit of eligible persons pursuant to the Act on Commercialisation and Privatisation. Currently the State Treasury holds a total of 1,691,900 Parent Undertaking's shares, representing in total 4.97% share in the share capital of the Parent Undertaking, which accounts for 4.97% of the total vote at the General Shareholders Meeting.

9. Other capitals

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

10. Loans and borrowings

	30 Jun. 2010	**31 Dec. 2009**
Long-term:		
Bank loan	244,000	250,000
Short-term:		
Bank loan	6,000	-
	250,000	**250,000**

The bank loan matures on 31 December 2014 and bears interest equal to 3M WIBOR + bank margin. Details on maturity dates of the loan are presented below.

	Less than 1 year	**From 1 to 2 years**	**From 2 to 5 years**	**Over 5 years**
As at 30 June 2010				
Loans and borrowings	6,000	119,000	125,000	-

The fair value of the loan does not differ significantly from the carrying value.

The Parent Undertaking has taken out the loan in Polish zloty (PLN).

	PKO BP	Total
As at 31 December 2009	250,000	250,000
Repayment in the period	-	-
New advances received in the period	-	-
As at 30 June 2010	250,000	250,000

The Group does not have any unutilised credit lines as at 30 June 2010.

(All amounts in the tables are in PLN thousand, unless otherwise specified)

11. Employee benefits liabilities

	30 Jun. 2010	31 Dec. 2009
Liabilities as disclosed in the consolidated statement of financial position		
- Retirement and disability benefits	29,549	29,353
- Long service awards	37,904	37,712
- Coal allowances in kind	54,556	52,705
- Other benefits for employees	7,957	5,156
	129,966	**124,926**
including:		
Long-term	105,223	98,588
Short-term	24,743	26,338

(All amounts in the tables are in PLN thousand, unless otherwise specified)

12. Provisions for other liabilities and charges

	Mine closure	Mining damage	Legal claims	Total
As at 1 January 2009	**54,337**	**-**	**51,947**	**106,284**
Including				
Long-term	54,337	-	-	54,337
Short-term	-	-	51,947	51,947
Recognition in the value of fixed assets	3,100	-	-	3,100
Recognition in the consolidated statement of comprehensive income				
- Creation of additional provisions	-	-	4,753	4,753
- Release of an unused provision	-	-	(4,998)	(4,998)
- Interest	-	-	2,074	2,074
- Discount settlement	1,311	-	-	1,311
- Provisions used during a year	-	-	(349)	(349)
As at 30 June 2009	**58,748**	**-**	**53,427**	**112,175**
Including				
Long-term	58,748	-	-	58,748
Short-term	-	-	53,427	53,427
As at 1 January 2010	**63,079**	**6,680**	**56,916**	**126,675**
Including				
Long-term	63,079	-	-	63,079
Short-term	-	6,680	56,916	63,596
Recognition in the consolidated statement of comprehensive income				
- Creation of additional provisions	896	1,602	6,825	9,323
- Release of an unused provision	-	(946)	(647)	(1,593)
- Interest	-	-	2,269	2,269
- Discount settlement	1,170	-	-	1,170
As at 30 June 2010	**65,145**	**7,336**	**65,363**	**137,844**
Including				
Long-term	65,145	-	-	65,145
Short-term	-	7,336	65,363	72,699

(a) Liquidation of mines

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

(b) Removing mining damage

Given the need to remove mining damage, the Parent Undertaking creates a provision for mining damage. As at 30 June 2010, the estimated value of works necessary for damage removal is: PLN 7,336,000.

(c) Legal claims

The amounts disclosed constitute:

- a provision for certain legal claims filed against the Group by customers and suppliers. The amount of the provision is disclosed in the consolidated statement of comprehensive income as general and administrative expenses. 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 30 June 2010.

- a provision for real property tax. While preparing statements for real property tax, the Parent Undertaking (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 virtue of the decision of 30 May 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 Parent Undertaking. 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 Parent Undertaking paid a total of PLN 7,968,000 of tax with interest to the Communes of Cyców and Puchaczów. On 24 February 2009 and 17 March 2009 the Local Government Appellate Court 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 Parent Undertaking to these communes in 2008 should be returned. Although the paid amounts concerning 2003 were returned, the Communes of Cyców and Puchaczów filed complaints to the District Prosecutor in Włodawa and District Prosecutor in Lublin, respectively. As a result, the Provincial Administrative Court in Lublin overturned the decision of the Local Government Appellate Court with respect to the Commune of Puchaczów and suspended the proceedings regarding the real property tax for 2003 with respect to the Commune of Cyców until the Constitutional Tribunal issues decision on Polskie Sieci Elektroenergetyczne S.A. and replies the question posed by the Provincial Administrative Court in Gliwice. The District Prosecutor in Włodawa filed a complaint for the decision on suspended proceedings to the Supreme Administrative Court in Warsaw. By virtue of the decision of 29 June 2010, the Supreme Administrative Court in Warsaw overturned the challenged decision of the Provincial Administrative Court in Lublin on suspending the proceedings. The date on which the Provincial Administrative Court in Lublin will recognise the complaint has not been indicated yet. In the case of Puchaczów Commune, on 23 December 2009 the Parent Undertaking filed an application for suspension of the execution of the decision of the Administrator of Puchaczów Commune regarding stipulation of the amount of property tax liability for 2003. By virtue of the decision of 10 March 2010, the Local Government Appellate Court in Lublin suspended the execution of the aforementioned decision of the Administrator of Puchaczów Commune until a final decision is issued. On 30 June 2010 the Local Government Appellate Court in Lublin overturned the challenged decision of the Administrator of Puchaczów Commune of 23 December 2008 in full and sent the case back for re-examination to the authority of first instance.

  In 2009 the communes, on whose territory the Parent Undertaking extracts coal, conducted clarification proceedings regarding mining pits opened for mining in 2004. Proceedings to determine the amount of property tax liability for 2004 we completed with the issue of decisions by the Administrator of Puchaczów Commune and the Administrator of Cyców Commune on 30 November 2009. The decisions were immediately enforceable as of 2 December 2009. Under the writs of enforcements, on 22 December 2009 a total of PLN 7,190,200 was remitted to the account of the Lubelski Tax Office. The amount comprised: real property tax of PLN 4,973,800, interest of PLN 1,746,000 and enforcement costs of PLN 470,400. On 28 December 2009 the Parent Undertaking filed appeals against the decision on determining property tax liability for 2004 to the Local Government Appellate Court in Lublin. By the date of approving these statements for publication, the Local Government Appellate Court in Lublin had not issued its decision.

(All amounts in the tables are in PLN thousand, unless otherwise specified)

In 2010 proceedings to determine the amount of property tax liability for 2005 have been instigated and are currently pending.

Based on the above, as well as given the fact that other mining communes in Poland have taken actions aimed at charging mining companies such a tax, the Parent Undertaking also calculated an amount of arrears on account of 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 estimated provision of PLN 63,553,000 is disclosed in the books as at 30 June 2010 (as at 30 June 2009 - PLN 48,748,000).

13. Unusual events affecting the financial result

In the period of six months of 2010, no unusual events occurred that would seriously affect the financial position of the Group.

14. Income tax

	1 Jan. 2010-30 Jun. 2010	**1 Jan. 2009-30 Jun. 2009**
Current tax	29,600	22,281
Deferred tax	(3,701)	(1,586)
	25,899	**20,695**

Income tax in the consolidated interim financial statements was established pursuant to the expected tax rate for 2010 of 19.5% (2009: 19.8%). 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 Group 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 Group, which could potentially result in adjustments in corporate income tax settlements and the payment of an additional amount of tax. Such amount 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 consolidated interim financial statements can therefore be changed after their amount has been finally determined by the tax authorities.

15. Earnings per share

(a) Basic

Basic earnings per share are calculated as the quotient of the profit attributable to the Parent Undertaking's shareholders and the weighted average number of ordinary shares during the year.

	6 months of 2010	6 months of 2009
Earning attributable to shareholders of the Parent Undertaking	106,208	83,413
Weighted average number of ordinary shares ('000)	34,014	23,014
Basic earnings per share (in PLN per share)	**3.12**	**3.62**

(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 Parent Undertaking does not have instruments causing dilution of potential ordinary shares. Diluted earnings per share are therefore equal to basic earnings per share of the Parent Undertaking.

In June 2009, the Parent Undertaking issued series C shares and introduced its shares to public trading on the WSE main market. The increase in capital was registered in July 2009.

16. Dividend per share

In the first half 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. In compliance with Resolution No. 21 of the Annual General Shareholders Meeting of Lubelski Węgiel Bogdanka S.A. of 10 June 2010, the profit for 2009 has been devoted to the reserve capital of the Parent Undertaking. The dividend rate due to shareholders of the Parent Undertaking is presented in the table below.

	6 months of 2010	6 months of 2009
Dividend due	-	88.832
Weighted average number of ordinary shares ('000)	34,014	23,014
Dividend per share (in PLN per share)	**0.00**	**3.86**

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.

(All amounts in the tables are in PLN thousand, unless otherwise specified)

17. Net operating cash inflow

	Note	30 Jun. 2010	30 Jun. 2009
Pre-tax profit		132,819	104,234
- Depreciation of tangible fixed assets	5	67,225	68,006
- Amortisation of intangible fixed assets	6	846	1,143
- (Profit)/Loss on sale of tangible fixed assets		979	(94)
- Net financial expenses		(6,205)	705
- Share in losses/(profits) of affiliated undertakings	7	24	(392)
- Change in employee benefits liabilities		5,040	37,383
- Changes in provisions		9,999	4,579
- Other flows		(356)	54
Changes in working capital			
- Stocks		(11,561)	(28,319)
- Trade debtors and other receivables		(13,349)	2,073
- Trade creditors and other liabilities		5,369	(6,470)
Operating cash inflow		**190,830**	**182,902**

	Note	30 Jun. 2010	30 Jun. 2009
Balance-sheet change in accounts receivable		14,397	(2,073)
Change in accrued interest		(1,048)	-
Change in accounts receivable for the purposes of the consolidated cash flow statement		**13,349**	**(2,073)**
Balance-sheet change in liabilities		79,580	92,800
Change in investment liabilities		(74,095)	(10,438)
Liabilities on account of dividend concerning the previous year	16	-	(88,832)
Change in interest paid		(116)	-
Change in liabilities for the purposes of the consolidated cash flow statement		**5,369**	**(6,470)**

18. Contingent items

The Group 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 12).

In connection with the conclusion of the long-term loan agreement with PKO Bank Polski S.A. on 27 May 2008, the Parent Undertaking issued a blank promissory note with declaration, covering the amount corresponding to the amount of debt under the loan plus interest and other Bank’s costs, for the purpose of securing the repayment of the aforementioned loan. The value of the used portion of the loan as at 30 June 2010 amounted to PLN 250 million and has been disclosed as liability in the consolidated statement of financial position of the Parent Undertaking. Further, the loan agreement provides for a collateral in the form of deduction from the Parent Undertaking’s bank account and transfer of receivables from the sale of coal up to the amount of liability under the loan plus interest.

(All amounts in the tables are in PLN thousand, unless otherwise specified)

19. Future contractual liabilities

Investment liabilities

Contractual investment liabilities incurred as at the balance-sheet date, but still not disclosed in the consolidated statement of financial position, amount to:

	30 Jun. 2010	31 Dec. 2009
Tangible fixed assets	578,533	311,028

20. Related party transactions

Information on transactions with undertakings related to the State Treasury

The Parent Undertaking presented the transactions with undertakings that are partially owned by the State Treasury in the consolidated financial statements for the period between 1 January and 31 December 2009. As a result of transactions of disposal of shares effected in 2010 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 persons under the Act on Commercialisation and Privatisation, the Parent Undertaking Lubelski Węgiel Bogdanka Spółka Akcyjna has lost the status of the Company owned by the State Treasury.

Information on remuneration of the Management Board and the Supervisory Board

	30 Jun. 2010	31 Dec. 2009	30 Jun. 2009
Remuneration of Management Board members	730	1,850	954
Remuneration of the Supervisory Board members	126	238	118

21. Events after the balance-sheet date

The presented results for the first half of 2010 refer to the events, identified by the Group that occurred in this period. After the balance-sheet date no events affecting the financial results occurred that would not be disclosed in these abridged consolidated interim financial statements.

22. Approval of the consolidated financial statements

The Management Board of Lubelski Węgiel Bogdanka S.A. declares that as of 27 August 2010, it approves these abridged consolidated interim financial statements of the Group for the period from 1 January to 30 June 2010 for publication.

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD

Mirosław Taras	President of the Management Board	....
Krystyna Borkowska	Vice-President of the Board for Economic and Financial Affairs – Chief Accountant	....
Waldemar Bernaciak	Deputy President of the Management Board for Sales and Logistics	....
Zbigniew Stopa	Vice-President of the Board for Technical Affairs	....