LUBELSKI WĘGIEL BOGDANKA S.A.

ABRIDGED INTERIM FINANCIAL STATEMENTS

for the period of six months ended 30 June 2010

BOGDANKA, AUGUST 2010

Contents of the Financial Statements

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) 3

STATEMENT OF COMPREHENSIVE INCOME 4

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY 5

CASH FLOW STATEMENT 6

NOTES ON THE ABRIDGED INTERIM FINANCIAL STATEMENTS 7

1. General 7
1.1. Information on the Company 7
1.2. Assumption of continued business activity 7
2. Description of key accounting principles applied 7
2.1. Basis of preparation 8
3. Information on business segments 9
4. Information regarding seasonality 9
5. Tangible fixed assets 10
6. Intangible assets 11
7. Share capital 12
8. Other capitals 12
9. Loans and borrowings 13
10. Employee benefits liabilities 13
11. Provisions for other liabilities and charges 14
12. Unusual events affecting the financial result 16
13. Income tax 16
14. Earnings per share 17
15. Dividend per share 17
16. Net operating cash inflow 18
17. Contingent items 18
18. Future contractual liabilities 19
19. Related party transactions 19
Information on remuneration of the Management Board and the Supervisory Board 19
20. Events after the balance-sheet date 19
21. Approval of the financial statements 20

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

Statement of Financial Position (Balance Sheet)

	Note	30 Jun. 2010	31 Dec. 2009
Assets			
Fixed assets			
Tangible fixed assets	5	1,800,613	1,521,808
Intangible assets	6	11,362	12,084
Long-term investments		73,341	73,341
Cash and cash equivalents		47,351	46,158
		1,932,667	1,653,391
Current assets			
Stocks		60,968	49,223
Trade debtors and other receivables		129,830	113,719
Overpaid income tax		-	2,754
Cash and cash equivalents		536,255	640,432
		727,053	806,128
TOTAL ASSETS		**2,659,720**	**2,459,519**
Shareholders' equity			
Ordinary shares	7	301,158	301,158
Other capitals	8	1,086,588	894,535
Retained earnings		447,690	534,824
Total shareholders' equity		**1,835,436**	**1,730,517**
Liabilities			
Long-term liabilities			
Loans and borrowings	9	244,000	250,000
Deferred income tax liabilities		56,199	59,903
Employee benefits liabilities	10	104,568	97,976
Provisions for other liabilities and charges	11	65,145	63,079
Trade creditors and other liabilities		6,900	7,834
		476,812	478,792
Short-term liabilities			
Loans and borrowings	9	6,000	-
Current income tax liabilities		1,680	-
Employee benefits liabilities	10	24,743	26,338
Provisions for other liabilities and charges	11	72,699	63,596
Trade creditors and other liabilities		242,350	160,276
		347,472	250,210
Total liabilities		824,284	729,002
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2,659,720**	**2,459,519**

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

Statement of Comprehensive Income

	Note	For 6 months ended 30 June 2010	2009
Sales revenue		574,260	517,251
Cost of products, goods and materials sold		(393,285)	(358,855)
Gross profit		**180,975**	**158,396**
Selling costs		(19,589)	(23,747)
Administrative costs		(31,177)	(31,259)
Other income		1,950	2,556
Other expenses		(1,745)	(1,104)
Other profits/(losses) - net		(5,336)	(472)
Operating profit		**125,078**	**104,370**
Financial income		11,918	3,562
Financial expenses		(6,662)	(5,531)
Net financial income/expenses		5,256	(1,969)
Pre-tax profit		**130,334**	**102,401**
Income tax	13	(25,415)	(20,332)
Net profit for the period		**104,919**	**82,069**
Total income for the period		**104,919**	**82,069**
Earnings per share attributable to the Company's shareholders during the year (in PLN per share)			
- basic	14	3.08	3.57
- diluted	14	3.08	3.57

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

Statement of Changes in Shareholders' Equity

	Note	Ordinary shares	Other capitals	Retained earnings	Total shareholders' equity
As at 1 January 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 30 June 2009		**246,158**	**428,484**	**424,840**	**1,099,482**
As at 1 January 2010		**301,158**	**894,535**	**534,824**	**1,730,517**
Total income for the accounting period		-	-	104,919	104,919
Transfer of the result for 2009		-	192,053	(192,053)	-
As at 30 June 2010		**301,158**	**1,086,588**	**447,690**	**1,835,436**

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

Cash Flow Statement

	Note	For 6 months ended 30 June	
		2010	**2009**
Operating cash flow			
Operating cash inflow	16	187,468	179,922
Interest paid		(5,190)	(3,112)
Income tax paid		(24,684)	(19,206)
Net operating cash flow		157,594	157,604
Investing cash flow			
Acquisition of tangible fixed assets		(271,183)	(159,843)
Acquisition of intangible fixed assets		(55)	(4,078)
Inflow from the sale of tangible fixed assets		15	204
Interest received		10,645	2,816
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund		(1,193)	(43)
Net investing cash flow		(261,771)	(160,944)
Financing cash flow			
Loans and borrowings received		-	180,000
Loans and borrowings repaid		-	(15,000)
Other net financing cash flow		-	(1,659)
Net financing cash flow		-	163,341
Net increase / (decrease) in cash and cash equivalents		(104,177)	160,001
Cash and cash equivalents at beginning of period		640,432	57,502
Cash and cash equivalents at end of period		**536,255**	**217,503**

Notes on the Abridged Interim Financial Statements

1. General

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 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 7. As a result of transactions effected in 2010 regarding the 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 Company is the parent undertaking in Lubelski Węgiel Bogdanka S.A. Group. The Group prepares abridged consolidated interim financial statements for the period of 6 months ended on 30 June 2010.

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.

2.1. Basis of preparation

These abridged interim financial statements of LW Bogdanka S.A. for the first six months of 2010 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. 1 January 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 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 Company applied amendments to the IFRS pursuant to transitional provisions. Introduction of the standard did not affect the financial statements of the Company.

- 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.
Introduction of the standard did not affect the financial statements of the Company.

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

In these financial statements the Company did not decided 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, amendments and interpretations to the existing standards which are not applicable to the operations of the Company.

- 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 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 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 1 January 2010 and 30 June 2010 amounted to PLN 14,346,000, which account for 2.33% of total revenue on sales.
Accordingly, the Company does not present its results by industry segments.

The Company 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 0.07% of total revenue on sales in the year in question. The Company does not hold assets or liabilities outside Poland.

Accordingly, the Company 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 1.86% of the total sales. They do not have any significant impact on the operating and financial activities of the Company.

(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	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 30 June 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)
Depreciation	-	(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 30 June 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**
As at 1 January 2010							
Cost or assessed value	2,882	1,341,306	717,004	92,504	11,804	287,563	2,453,063
Depreciation	-	(511,699)	(363,958)	(48,300)	(7,298)	-	(931,255)
Net book value	2,882	829,607	353,046	44,204	4,506	287,563	1,521,808
As at 30 June 2010							
Net book value at beginning of year	2,882	829,607	353,046	44,204	4,506	287,563	1,521,808
Increases	1,194	63,581	176,143	4,334	164	345,084	590,500
Decreases	-	(1,535)	(226)	(154)	-	(244,157)	(246,072)
Depreciation	-	(40,816)	(21,793)	(2,578)	(436)	-	(65,623)
Net book value	**4,076**	**850,837**	**507,170**	**45,806**	**4,234**	**388,490**	**1,800,613**
As at 30 June 2010							
Cost or assessed value	4,076	1,366,101	887,414	96,409	11,910	388,490	2,754,400
Depreciation	-	(515,264)	(380,244)	(50,603)	(7,676)	-	(953,787)
Net book value	**4,076**	**850,837**	**507,170**	**45,806**	**4,234**	**388,490**	**1,800,613**

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	862	10,789	23	14,471
Amortisation	(1,708)	(644)	(2,027)	(9)	(4,388)
Net book value	1,089	218	8,762	14	10,083
As at 30 June 2009					
Net book value at beginning of year	1,089	218	8762	14	10,083
Increases	613	-	-	3,382	3,995
Amortisation	(467)	(17)	(585)	(64)	(1,133)
Net book value	**1,235**	**201**	**8,177**	**3,332**	**12,945**
As at 30 June 2009					
Cost or assessed value	3,509	339	10,789	3,364	18,001
Amortisation	(2,274)	(138)	(2,612)	(32)	(5,056)
Net book value	**1,235**	**201**	**8,177**	**3,332**	**12,945**
As at 1 January 2010					
Cost or assessed value	3,604	4,299	10,789	42	18,734
Amortisation	(2,593)	(744)	(3,302)	(11)	(6,650)
Net book value	1,011	3,555	7,487	31	12,084
As at 30 June 2010					
Net book value at beginning of year	1,011	3,555	7,487	31	12,084
Presentation adjustment	106	(62)	(26)	(18)	-
Increases	46	10	-	-	56
Amortisation	(97)	(95)	(586)	-	(778)
Net book value	**1,066**	**3,408**	**6,875**	**13**	**11,362**
As at 30 June 2010					
Cost or assessed value	3,569	4,112	11,235	22	18,938
Amortisation	(2,503)	(704)	(4,360)	(9)	(7,576)
Net book value	**1,066**	**3,408**	**6,875**	**13**	**11,362**

7. 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 Company 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 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.

On 9 March 2010 the Ministry of State Treasury sold 15,882,000 ordinary bearer shares of 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 Company'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 Company 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 in aggregate 1,691,900 shares of the Company, representing 4.97% of share in the Company's share capital and 4.97% of votes in the total vote at the General Shareholders Meeting.

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.

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

9. 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 Company 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 Company does not have any unutilised credit lines as at 30 June 2010.

10. Employee benefits liabilities

	30 Jun. 2010	31 Dec. 2009
Liabilities as disclosed in the Statement of Financial Position		
- Retirement and disability benefits	28,894	28,741
- Long service awards	37,904	37,712
- Coal allowances in kind	54,556	52,705
- Other benefits for employees	7,957	5,156
	129,311	**124,314**
including:		
Long-term	104,568	97,976
Short-term	24,743	26,338

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

11. Provisions for other liabilities and charges

	Mine closure	Mining damage	Legal claims	Total
As at 1 January 2009	**54,337**	**-**	**51,901**	**106,238**
Including				
Long-term	54,337	-	-	54,337
Short-term	-	-	51,901	51,901
Recognition in the value of fixed assets	3,100	-	-	3,100
Recognition in the statement of comprehensive income				
- Creation of additional provisions	-	-	4,753	4,753
- Release of an unused provision	-	-	(4,952)	(4,952)
- 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 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 Company establishes a provision for expenses related to closure of a mining plant, as required under applicable provisions.

(b) Removing mining damage

Given the need of removing mining damage, the Company 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 Company by customers and suppliers. The amount of the provision is disclosed in the Statement of comprehensive income as 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 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 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 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 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 Company 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 Company 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.

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

In 2009, the communes where the Company extracts coal conducted clarification proceedings regarding mining pits released 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 Company 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.

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 Company 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).

12. 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 Company.

13. Income tax

	1 Jan. 2010-30 Jun. 2010	1 Jan. 2009-30 Jun. 2009
Current tax	29,119	22,304
Deferred tax	(3,704)	(1,972)
	25,415	**20,332**

Income tax in the 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 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 may not be ruled out 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. 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 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 2010	**6 months of 2009**
Earnings attributable to the Company's shareholders	104,919	82,069
Weighted average number of ordinary shares ('000)	34,014	23,014
Basic earnings per share (in PLN per share)	**3.08**	**3.57**

(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 on the WSE main market. The increase in capital was registered in July 2009.

15. Dividend per share

In the first half of 2010 and in the same period of 2009, 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. 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 Company. The dividend rate due to shareholders of the Company is presented in the table below.

	6 months of 2010	**6 months of 2009**
Dividend due	-	88,832
Number of ordinary shares as at the dividend date (‘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 Company's shareholders and the number of ordinary shares as at the dividend date.

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

16. Net operating cash inflow

	Note	30 Jun. 2010	30 Jun. 2009
Pre-tax profit		130,334	102,401
- Depreciation of tangible fixed assets	5	65,623	66,517
- Amortisation of intangible fixed assets	6	778	1,133
- (Profit)/Loss on sale of tangible fixed assets		979	(94)
- Net financial expenses		(5,256)	1,969
- Change in employee benefits liabilities		4,996	37,346
- Changes in provisions		9,999	4,626
- Other flows		(355)	620
Changes in working capital			
- Stocks		(11,745)	(28,954)
- Trade debtors and other receivables		(15,063)	(334)
- Trade creditors and other liabilities		7,178	(5,308)
Operating cash inflow		**187,468**	**179,922**
Balance-sheet change in accounts receivable		16,111	334
Change in accrued interest		(1,048)	-
Change in accounts receivable for the purposes of the cash flow statement		**15,063**	**334**
Balance-sheet change in liabilities		81,140	93,575
Change in investment liabilities		(73,846)	(10,049)
Liabilities on account of dividend concerning the previous year	15	-	(88,832)
Change in interest paid		(116)	-
Change in liabilities for the purposes of the cash flow statement		**7,178**	**(5,308)**

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).

In connection with the conclusion of the long-term loan agreement with PKO Bank Polski S.A. on 27 May 2008, the Company 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 abovementioned loan. The value of the used portion of the loan as at 30 December 2010 amounted to PLN 250 million and has been disclosed as liability in the statement of financial position of the Company. Further, the loan agreement provides for a collateral in the form of deduction from the Company’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)

18. Future contractual liabilities

Investment liabilities

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

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

19. Related party transactions

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

The revenue of the Company 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 30 June 2009 and 30 June 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 Company towards that entity for subsequent balance-sheet dates were as follows:

	30 Jun. 2010	**31 Dec. 2009**	**30 Jun. 2009**
Purchases in period	6,524	9,353	4,931
Total liabilities at end of period including VAT	546	1,355	564

In the reporting periods ending on 30 June 2009 and 30 June 2010, 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:

	30 Jun. 2010	**31 Dec. 2009**	**30 Jun. 2009**
Sales in period	5,594	9,475	4,596
Total receivables at end of period including VAT	284	1,681	247

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

20. Events after the balance-sheet date

The presented results for the first half of 2010 refer to the events, identified by the Company 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 financial statements.

21. Approval of the financial statements

The Management Board of Lubelski Węgiel Bogdanka S.A. declares that as of 27 August 2010, it approves these abridged interim financial statements of the Company 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	....