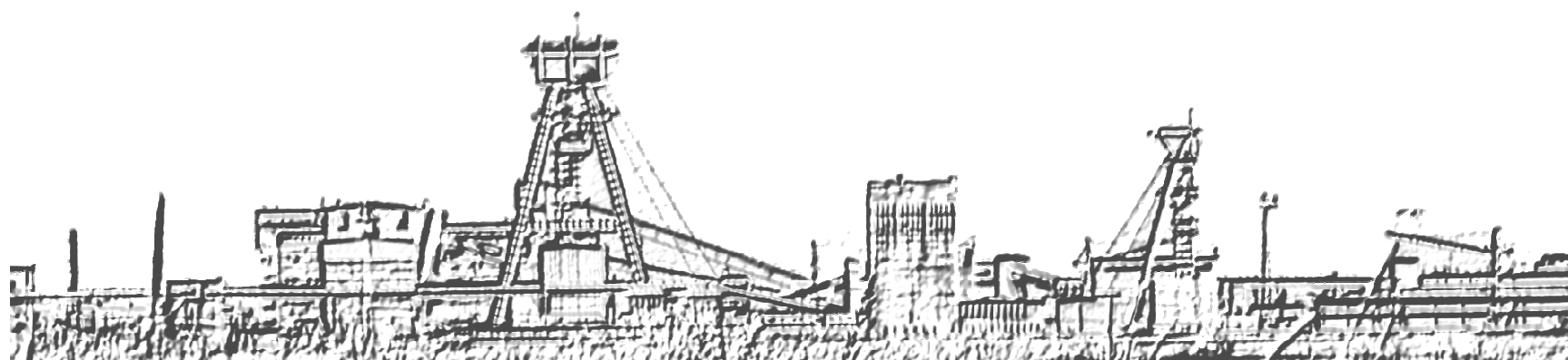




LUBELSKI WĘGIEL
„BOGDANKA”
SPÓŁKA AKCYJNA

Presentation of 1H 2009 Financial Results



Warsaw, September 1st, 2009

Disclaimer



This presentation is provided for information purposes only. This presentation does not constitute an offer to sell or a solicitation of an offer to buy or sell securities or other financial instruments in any jurisdictions. Certain information in this presentation has been obtained from third parties Lubelski Węgiel Bogdanka S.A. („the Company”) believes to be reliable, but the Company is not responsible for verifying or correcting the accuracy or completeness of such content. The Company does not make any warranty as of the accuracy or completeness of such content. This presentation may contain forward-looking statements, which involve known and unknown risks, uncertainties and other important factors beyond the Company’s control. Actual results, performance or achievements may be materially different from those expressed or implied by such forward-looking statements. The Company claims no responsibility and no liability for any decisions taken based on this presentation. All responsibility and liability is borne by a person analysing this presentation. This presentation is subject to the act on copyright and related rights. Any copying, publishing or public dissemination requires prior written permission of the Company.



LW BOGDANKA

Hard coal market

Presentation of financial results

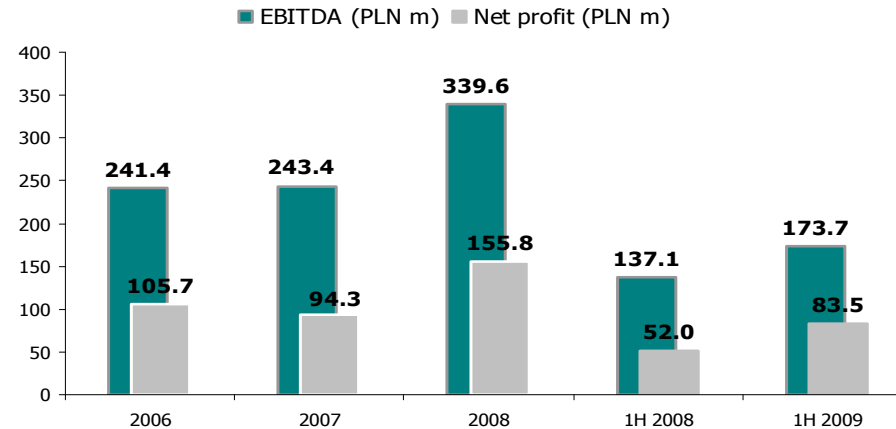
Development strategy and investment goals

Appendices





- One of the largest and most modern hard coal mines in Poland,
- Producer of steam coal used to generate electricity,
- Coal reserves: 254.7 million tonnes (the currently held licence allows mining operations until 2034),
- Convenient geographical location (Lublin Coal Basin) relative to the location of the mine's major customers (beneficial location) and natural conditions (low reclamation costs, regular geological structure, lack of danger of mine collapse, gas outbursts or rockbursts and a low methane explosion risk),
- High efficiency of coal extraction – twice as high as the average for the coal mining industry in Poland,
- Experienced Management operating in the hard coal mining industry for many years,
- Successful IPO conducted in 2009 (PLN 528m)

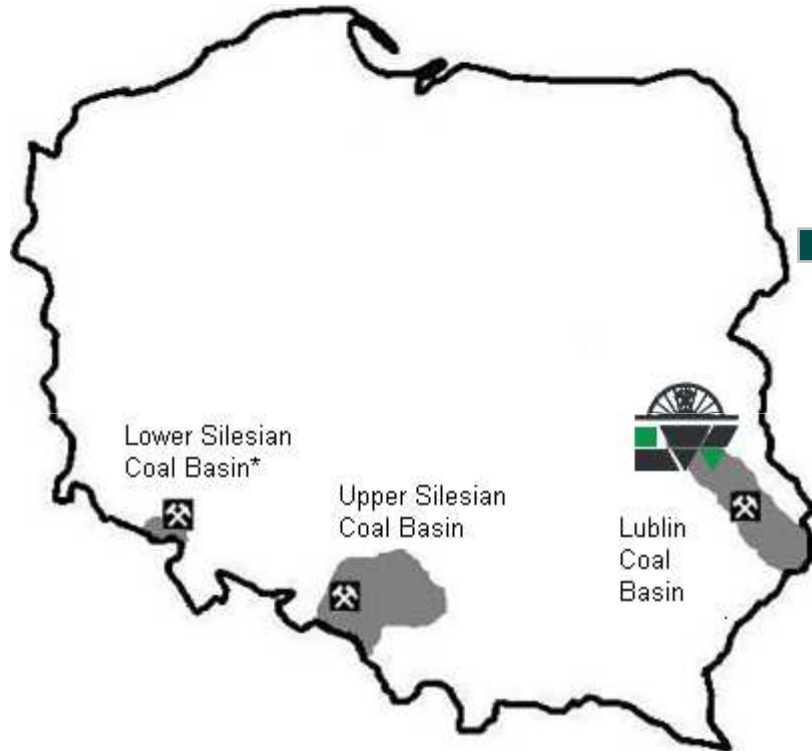


Modern and efficiently managed company achieving impressive financial performance, listed on Warsaw Stock Exchange

Mining companies in Poland



Hard coal mining in Poland



**coking coal and anthracite coal (the mines ceased operations in 2000)*

➔ 2 coal basins exploited in Poland:

- ❑ Lublin Coal Basin – steam coal,
- ❑ Upper Silesian Coal Basin – steam coal and coking coal.

➔ 32 operating coal mines:

- ❑ Lubelski Węgiel Bogdanka S.A. - 1 mine,
- ❑ Kompania Węglowa S.A. - 16 mines,
- ❑ Jastrzębska Spółka Węglowa S.A. - 6 mines,
- ❑ Katowicka Grupa Kapitałowa - 6 mines,
- ❑ Południowy Koncern Węglowy S.A. (Grupa Tauron) - 2 mines,
- ❑ Siltech Sp. z o.o. – 1 mine.

LW BOGDANKA – the sole hard coal producer in Eastern Poland

Competitive Advantages



NATURAL CONDITIONS

- **beneficial location** – convenient geographical location relative to main customers (cost of transport is a significant coal price component);
- **low reclamation costs** - coal extraction from deposits located in poorly urbanised areas (rural areas);
- **efficiency and continuity of the extraction process** – regular geologic structure;
- **extraction safety** – no danger of mine collapse, gas outbursts or rockbursts and a low methane explosion risk.

TECHNOLOGY

- **latest technologies** and modern equipment in coal extraction process – **low malfunction rate**, no unexpected work stoppages and **extraction efficiency**;
- **environmental safety of the mine** – environmental certificate - ISO 14001.

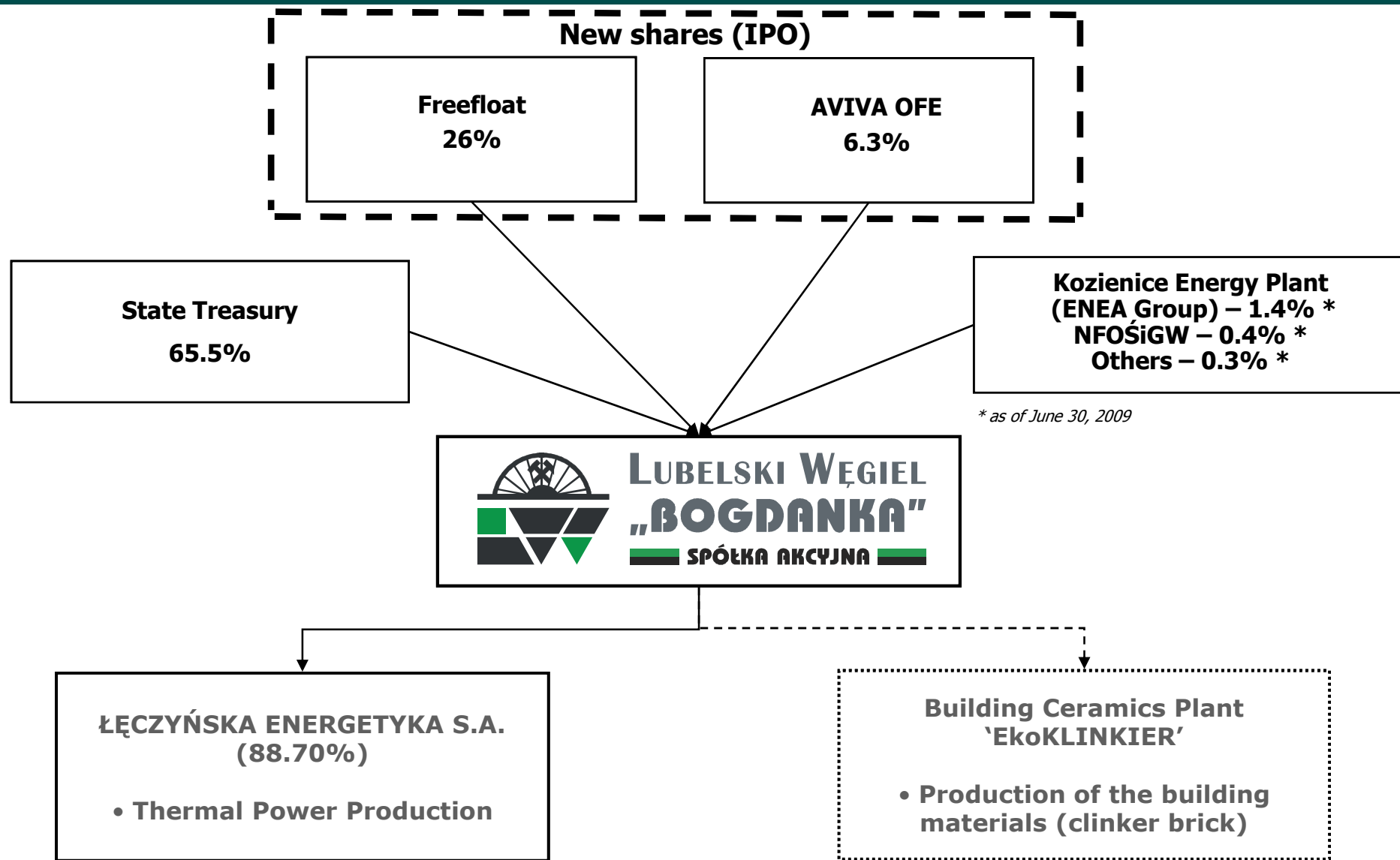
ORGANIZATION

- **Management Board** comprising of persons with extensive experience in the coal extraction sector;
- **motivating work organizing system**;
- **Innovation** – numerous rationalizing solutions, improving the extraction quality;
- six times ranked the best coal mine in Poland.

- **extraction efficiency over twice as high as the average for the coal mining industry in Poland** (total efficiency in 2008: 234% of the average);
- **production cost significantly lower** than the average production cost per tonne in the coal mining industry in Poland (on average PLN 141.01 vs. PLN 222.98 per tonne in 2008);
- having 5,9%* market share in the steam coal production in Poland, LW Bogdanka achieved ca. **23%* of the financial results of the entire sector.**

**weighted average values for years 2006-2008 based on Company data and Ministry of Economy data*

Capital Group Structure





LW BOGDANKA

Hard coal market

Presentation of financial results

Development strategy and investment goals

Appendices



Summary of 1H 2009 financial results



(PLN thou.)	1H 2008	1H 2009	Change %
Revenue	493,926	520,795	+5.44%
Gross profit	117,768	159,620	+35.54%
EBITDA	137,145	173,695	+26.65%
EBIT	70,097	104,546	+49.14%
Profit for the year	51,981	83,538	+60.71%

	1H 2008	1H 2009
EPS (PLN) *	2.26	3.62

* EPS calculated as of the end of the period and assuming the number of shares after 1:10 split conducted in November 2008

 **Dynamic growth of financial results**

Sales Structure



PLN thou.	1H 2008	share %	1H 2009	share %
Sales of coal	477,296	96.63%	499,737	95.96%
Sales of ceramics	1,321	0.27%	5,721	1.10%
Other activities	10,871	2.20%	13,635	2.62%
Sales of goods for resale and materials	4,438	0.90%	1,702	0.33%
Total sales revenue	493,926	100.00%	520,795	100.00%

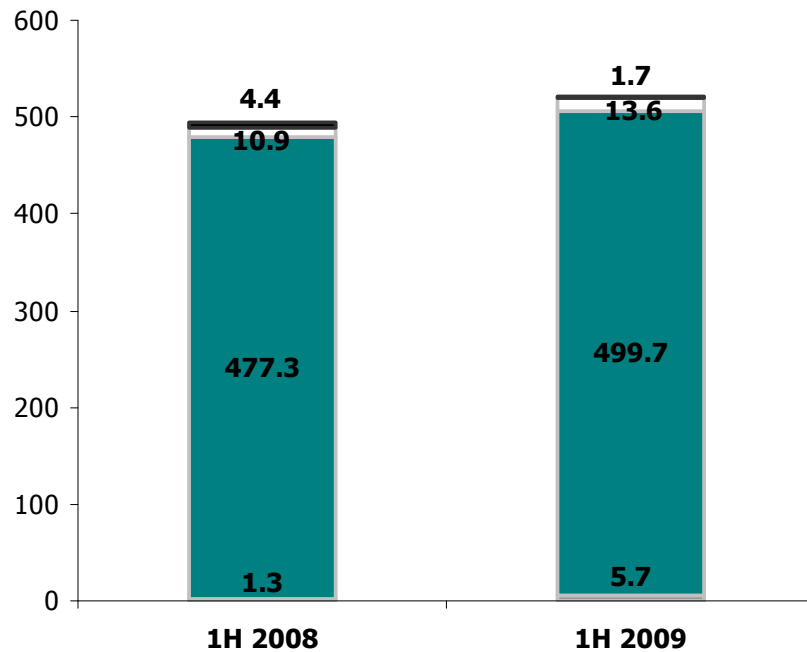
	1H 2008	1H 2009	change %
Production of commercial coal (thou. tonnes)	2,784.0	2,479.8	-10.9%
Inventories (tonnes)	17,083.71	156,661.27	+817.0%

- Increase in revenue from sales of steam coal in 1H 2009 – increase in average coal sales price;
- The majority of revenue (approx. 90%) realised based on long-term commercial agreements with key customers (Elektrownia Koźienice S.A., Elektrownia Połaniec S.A., ZA Puławy S.A., Elektrownia Ostrołęka S.A.);
- Lower level of commercial coal extraction in 1H 2009 when compared to 1H 2008 resulted from mining in more difficult geological and mining conditions and larger scope of required preparatory and accessibility works, which led to higher share of waste in gross material extracted and lower ratio of commercial coal yield achieved with the same, optimum extraction capabilities;
- Increase in inventory levels when compared to 1H 2008; inventories at today's level constitute technological operational inventory and are on standard level, which allows for securing current coal sales.

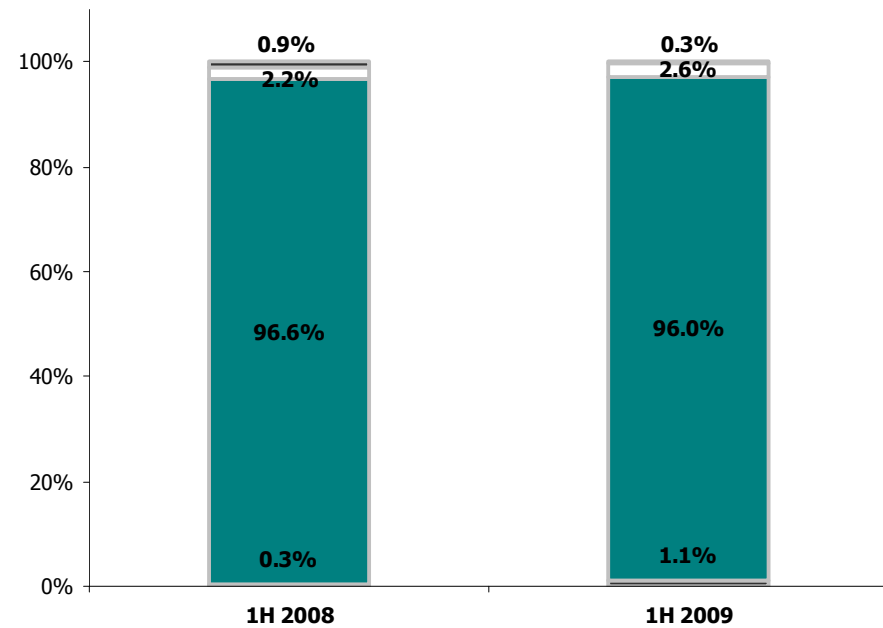
Sales Structure



Sales Structure (PLN m)



Sales Structure (%)



- Sales of goods for resale and materials
- Other activities
- Sales of coal
- Sales of ceramics

- Sales of goods for resale and materials
- Other activities
- Sales of coal
- Sales of ceramics

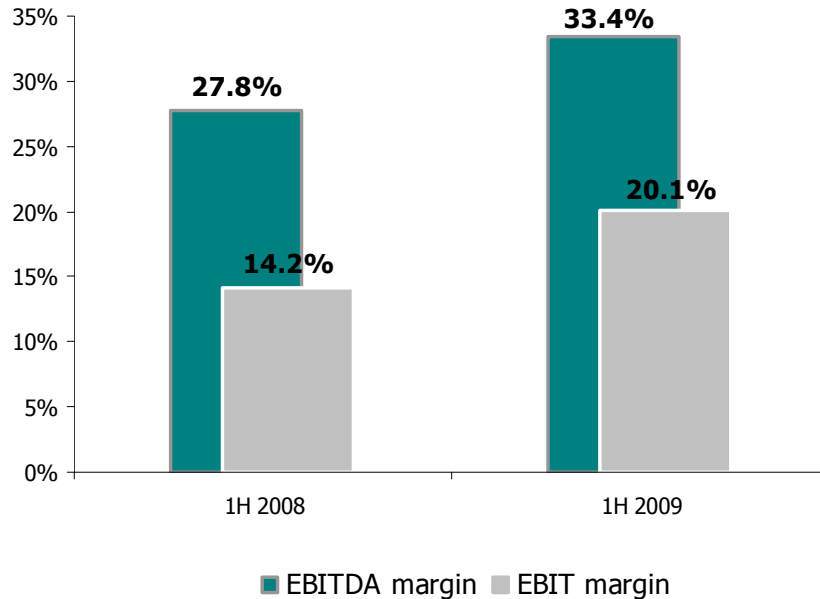
- ➔ Sales of coal – main source of revenue
- ➔ Concentration on domestic sales (beneficial location)
- ➔ Long-term frame agreements with key customers

* Sources: PGE, PKE, ZA Puławy, press release

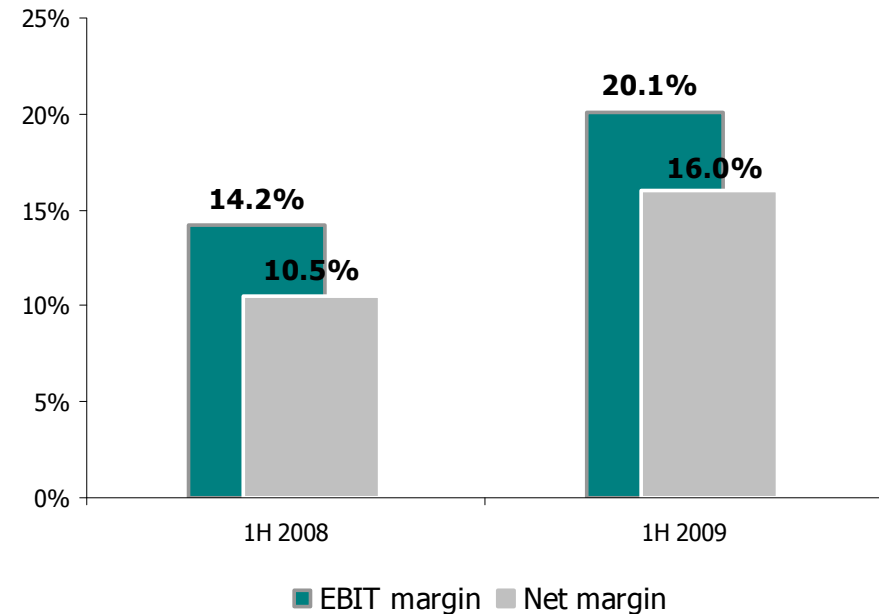
Profitability



EBITDA/EBIT margin (%)



EBIT/net margin (%)



- Decrease in cost of sales by 3.98% in 1H 2009 when compared to 1H 2008;
- Decrease in other operating costs by 90.75% in 1H 2009 when compared to 1H 2008;
- Increase in revenues from steam coal sales in 1H 2009 when compared to 1H 2008;



Above average profitability

Income Statement



[PLN thou.]	1H 2008	1H 2009
Revenue	493,926	520,795
Cost of sales	376,158	361,175
Gross profit	117,768	159,620
Other gains	3,114	2,569
Other costs	11,939	1,104
EBIT	70,097	104,546
EBIT margin %	14.2%	20.1%
Depreciation/Amortization	67,047	69,149
EBITDA	137,145	173,695
EBITDA margin %	27.8%	33.4%
Financial gains	2,300	4,830
Financial losses	3,751	5,535
Profit before tax	68,752	104,233
Income tax expense	16,771	20,695
Profit for the year	51,981	83,538
Profit margin %	10.9%	16.0%
- Profit attributable to equity holders	51,924	83,413

**Source: LW Bogdanka, consolidated IAS figures*

Balance Sheet



[PLN thou.]	Dec 31, 2008	Jun 30, 2009
Non-current assets	1,386,033	1,496,080
Current assets	271,397	457,956
Cash and cash equivalents	99,874	259,964
Total assets	1,657,430	1,954,036
Current liabilities	318,828	616,312
Non-current liabilities	222,854	227,270
Total liabilities	541,682	843,582
Stockholders' equity	1,115,748	1,110,454
Cash and cash equivalents	41,073	42,546
Current borrowings	100,000	265,000
Non-current borrowings	0	0
Net debt	58,927	222,454

**Source: LW Bogdanka, consolidated IAS figures*

Forecasts of financial results



Forecast	Forecast (PLN thou.)	Execution in 1H 2009 (PLN thou.)	Execution in 1H 2009 (%)
Revenue	1,091,713	520,795	47.7%
EBIT (operating profit)	178,319	104,546	58.6%
Profit for the year	140,603	83,538	59.4%

➔ **Financial results in 1H 2009 in line with the Management Board's expectations**

➔ **The Management Board confirms the forecasted 2009 financial results and does not see any threats to their execution**

Agenda



LW BOGDANKA

Hard coal market

Presentation of financial results

Development strategy and investment goals

Appendices





Creating and increasing shareholder value through:

- ➔ **Gaining access to new reserves and increasing coal extraction capacity based on expansion of the Stefanów Field**
- ➔ **Maintaining steady position of the main coal supplier, in particular for electricity producers in Eastern Poland**
- ➔ **Strengthening the competitive position as a result of lowering unit and production costs**

Strategic Goals

- Doubling the production level (until 2014),
- Improving the efficiency of coal extraction and production,
- Ensuring self-sufficiency of the mine with regard to electricity supplies,
- Environmental actions

Investment Programme Realisation of IPO Objectives



Investment Programme Expenditures for years 2009-2010

PLN thou.	2009	2010	Total
Investment in development (expansion of Stefanów Field)	330,974	446,274	777,248
Purchases of fixed assets	145,162	20,000	165,162
Replacement investments	50,578	38,070	88,648
Environment protection	3,198	2,600	5,798
Total	529,912	506,944	1,036,856

Source: LW Bogdanka

Realisation of IPO goals



Bidding procedures for the following investment activities:

- Extension of the Mechanical Coal Processing Plant,
- Construction of a system for transporting extracted material from 2.1 drawing shaft in the Stefanów Field to the Mechanical Coal Processing Plant,
- Building of technological infrastructure in the Stefanów Field (station of main fans, headframe of 2.1 shaft, headhouse of 2.1 shaft, buildings of main switching devices and networks of high and medium voltage),
- general construction works,
- beds within Pole Stefanów.



Closing of bidding procedures and commencement of spending IPO issue proceeds – IVQ 2009

Agenda



LW BOGDANKA

Hard coal market

Presentation of financial results

Development strategy and investment goals

Appendices

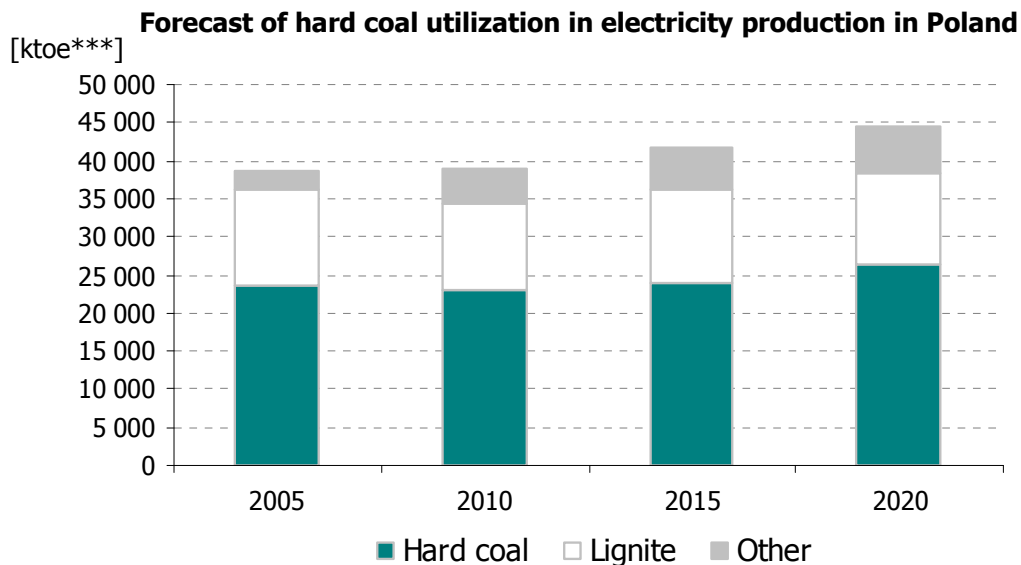


Steam coal – main energy source



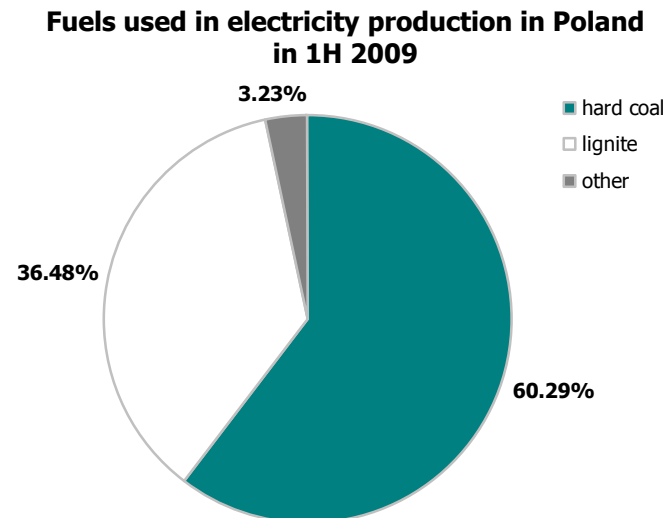
- Almost 90% of the electricity in Poland generated from coal, mainly hard coal (55.87%),
- Steady long-term increase in demand for coal expected
 - New power units planned* (16.3 GW – additional demand for 33.4m tonnes of coal per year)
 - Lack of efficient alternative energy sources (until 2020)
 - Increase in demand for energy from primary sources, including coal, of about 21% until 2030
 - The majority of hard coal extracted in Poland is steam coal (83.6% in 1H 2009, while coking coal constituted 16.4%)

**Sources: International Energy Agency, Ministry of Economy, Polish Energy Group, Polski Koncern Energetyczny S.A., Zakłady Azotowe Puławy, press releases*



Source: Ministry of Economy – Energy policy of Poland until 2030

***kilotonne of oil equivalent



Source: Polskie Sieci Elektroenergetyczne Operator S.A.

Hard Coal Market in 1H 2009 *

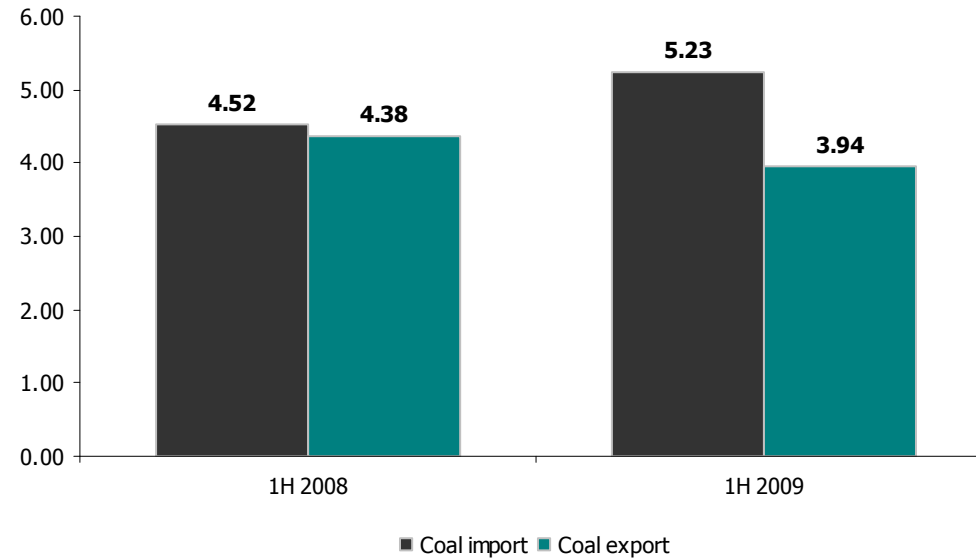


Substantial deterioration in the hard coal industry in 1H 2009

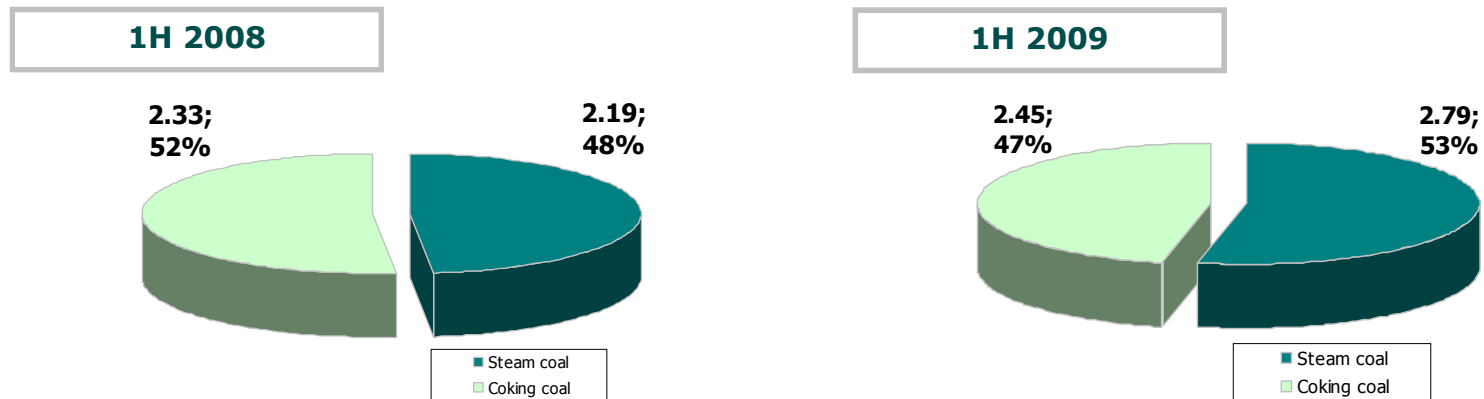
- Further decline in hard coal extraction in 1H 2009 when compared to 1H 2008 (8.3%) (coal extraction: 33.1 m tonnes in 1H 2009, compared to 36.1 m tonnes in 1H 2008),
- Sales of steam coal in 1H 2009: 27.9 m tonnes – 15.1% (4.9 m tonnes) decline when compared to 1H 2008,
- Substantial increase in inventories in mines: 5.8 m tonnes as of June 30, 2009 (an increase of 4.5 m tonnes if compared to June 30, 2008), of which steam coal – an increase of 3.7 m tonnes,
- Steam coal price increased by 33.1% in 1H 2009 when compared to 1H 2008 (from PLN 205.49 per tonne in 1H 2008 to PLN 273.56 per tonne in 1H 2009),
- Average cost of coal production increased in 1H 2009 by 17.2% if compared to 1H 2008 (from PLN 215.86 per tonne in 1H 2008 to PLN 259.54 per tonne in 1H 2009),
- Overall financial result of the industry in 1H 2009: PLN -150 m

** Source: Ministry of Economy (excluding ZG SILTECH and LW BOGDANKA mines)*

Coal Imports vs. Exports



➔ Coal imports volume and structure in 1H 2008 and 1H 2009 (PLN m)



Agenda



LW BOGDANKA

Hard coal market

Presentation of financial results

Development strategy and investment goals

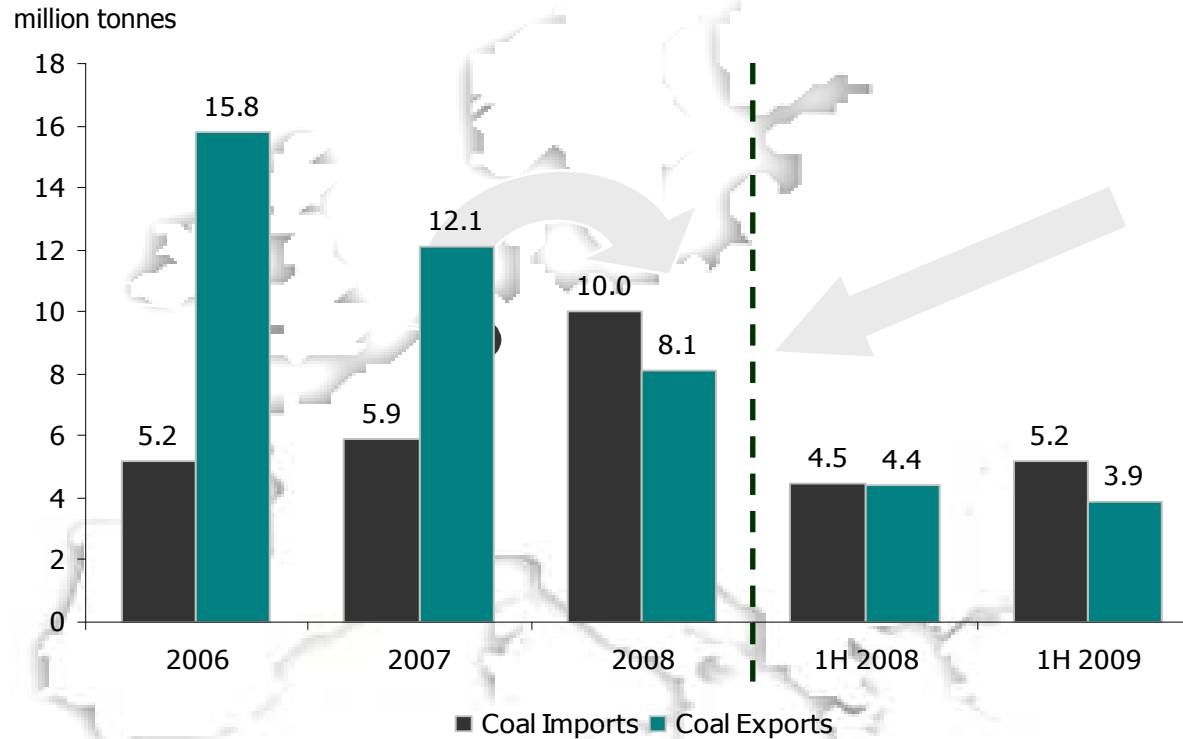
Appendices



Coal Imports vs. Exports



● **ARA ports
(Amsterdam-
Rotterdam-
Antwerp)**



■ **Russia**

Source: Ministry of Economy, GUS



Total cost of importing one tonne of coal from ARA ports
ARA price + Load (port) + Freight + Load out (port) + Transport (rail)



Cost of import from the Russian market depends on the transport policies and infrastructure of the Russian Federation

Thank you



Lubelski Węgiel "Bogdanka" S.A.

Bogdanka, 21-013 Puchaczów, Poland

tel. (+48 81) 462-51-00, 462-51-01

fax (+48 81) 462-51-91, 462-56-37

bogdanka@lw.com.pl

