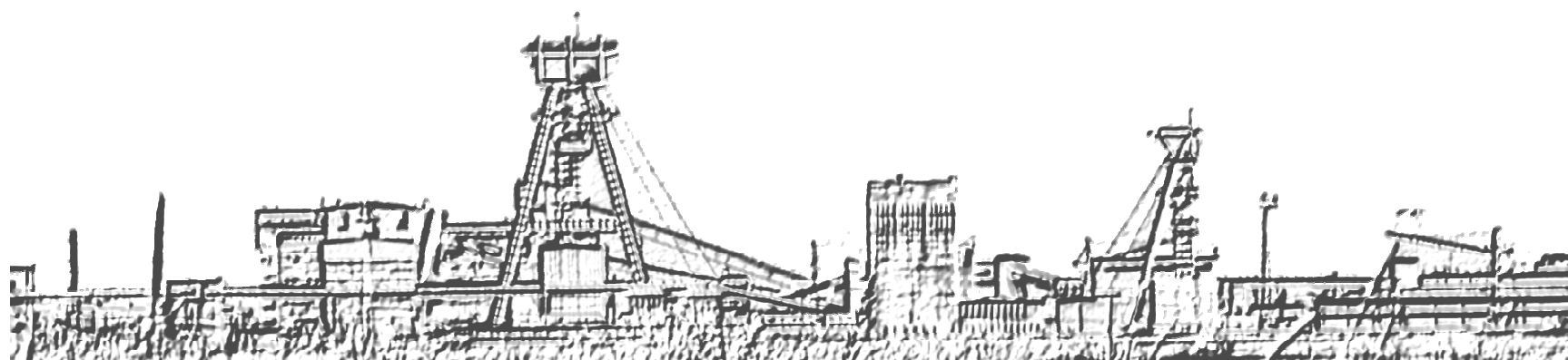




LUBELSKI WĘGIEL
„BOGDANKA”
SPÓŁKA AKCYJNA

Presentation of 2009 Financial Results



Warsaw, 22 March 2010

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Hard coal market

Financial results

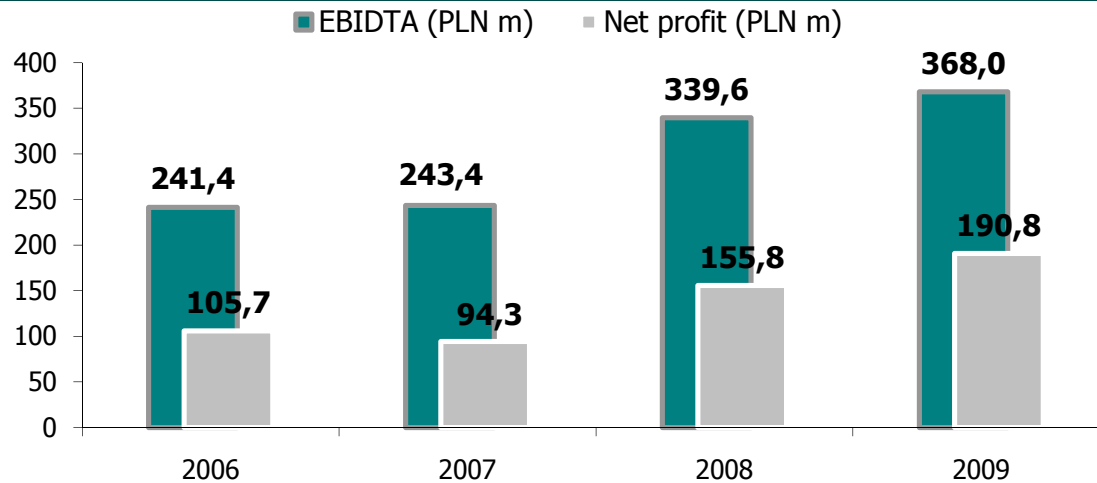
Development strategy and investment goals

Appendices





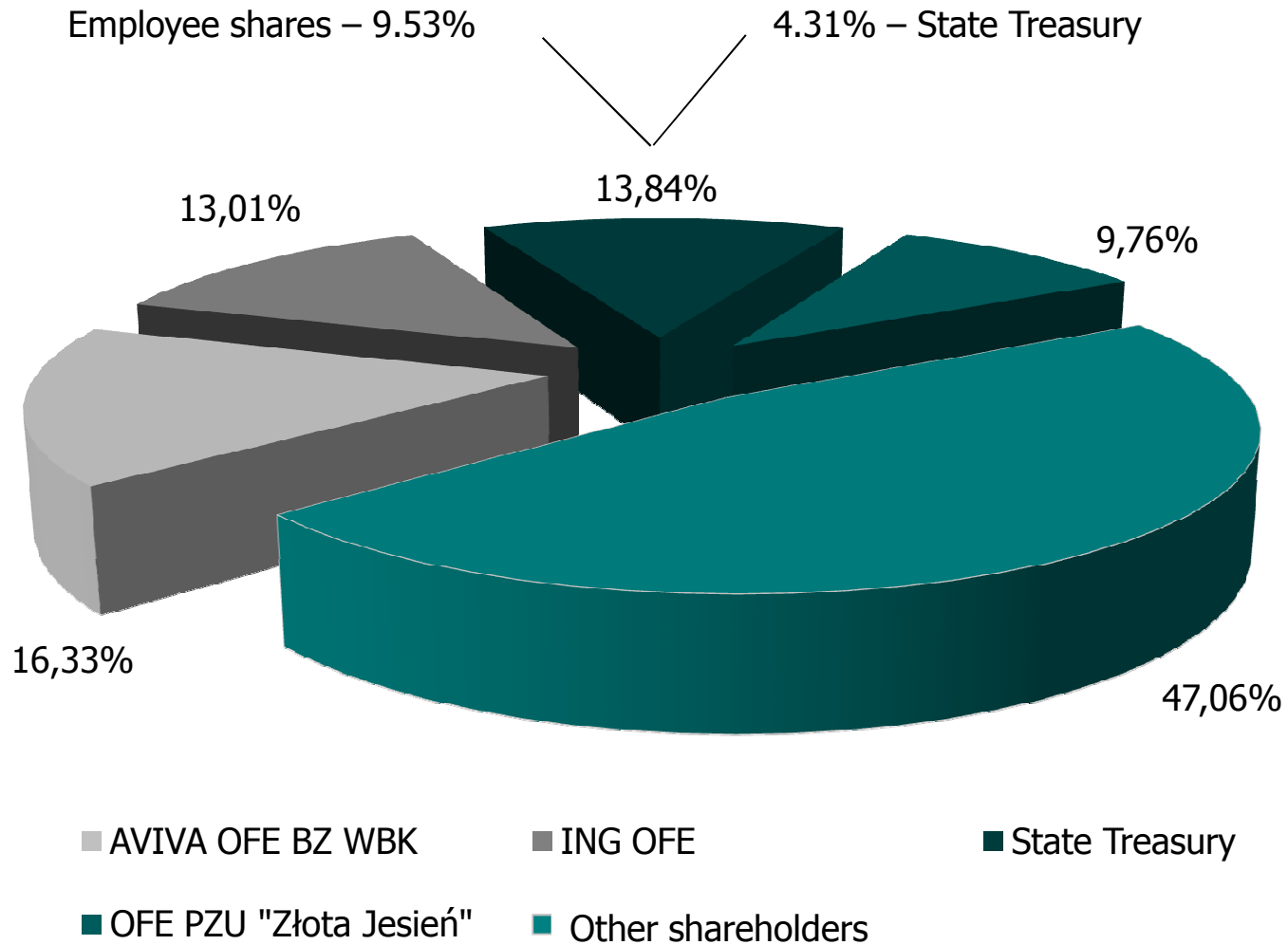
- One of the state-of-the-art and largest hard coal mines in Poland
- Producer of power coal used for production of electricity
- Recoverable resources: 251.3 million tonnes of coal (current licence ensures the mine's life until 2034)
- Good geographic location (Lublin Coal Basin) for major customers (location bonus) and good natural conditions (low reclamation costs, regular geological structure and low threat of crumps and methane explosions)
- High coal extraction efficiency – more than double the industry average in Poland
- Experienced Management Board for many years in the hard coal industry
- Successful public offering (PLN 528 million).



Source: Company, consolidated results

**Modern and efficiently organised enterprise
achieving very good financial results, listed on the WSE**

Shareholding structure of LW Bogdanka S.A. (as at 19 March 2010)



Competitive edge



NATURAL CONDITIONS

- **location bonus** – good geographic location for major customers (transport cost is a significant component of the price of coal)
- **low land reclamation cost** – coal extraction under areas of low urbanisation (farmland)
- **efficiency and continuity of extraction process** – regular geologic structure
- **extraction safety** – no threats of crumps, gas or rock eruptions as well as low level of threat of methane explosion

TECHNOLOGY

- **cutting-edge technologies** and world-class machinery used in the process of hard coal extraction – **low failure rate**, no unscheduled stoppages, and **extraction efficiency**
- **environmental safety of the mine** – ISO 14001 environmental certificate

ORGANISATION

- **experienced Management Board** composed of persons working for many years in the hard coal industry
- **motivating system of staff work organisation**
- **innovativeness** – a number of innovative solutions enhancing extraction efficiency
- **seven-time winner** in Polish Academy of Sciences competition for the best mine in Poland

- **Much higher coal extraction efficiency** than the average of the industry in Poland:
 - general efficiency for 2009: 240.8% of the industry average
 - underground efficiency for 2009: 296.3% of the industry average.



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Situation on the hard coal market in Poland in 2009*



- After a significant deterioration of the situation in the industry in H1 2009, in H2 2009 the macroeconomic situation improved and the Company observed a higher demand for coal.
- The drop in the average price in H2 2009 was lower than initially assumed.
- Situation of Silesian companies:
 - Extraction of hard coal in Silesian mines in 2009 was 72 million tonnes, 7.46% less than in 2008. Extraction of power coal decreased by 3.5%, and coke coal by 29.17%.
 - The stock of hard coal at the mines stood at 4.8 million tonnes as at the end of 2009 (which represented a decrease as compared to the end of September 2009 of 0.78 million tonnes and an increase of 3.1 million tonnes as compared to 2008).
 - Coal sales in 2009 were 67.6 million tonnes, down 12.32% from the 77.1 million tonnes in 2008.
 - The unit sale price increased by 16.16%, to PLN 266 per tonne.

**Source: Ministry of Economy (without the ZG SILTECH and LW BOGDANKA S.A. mines)*

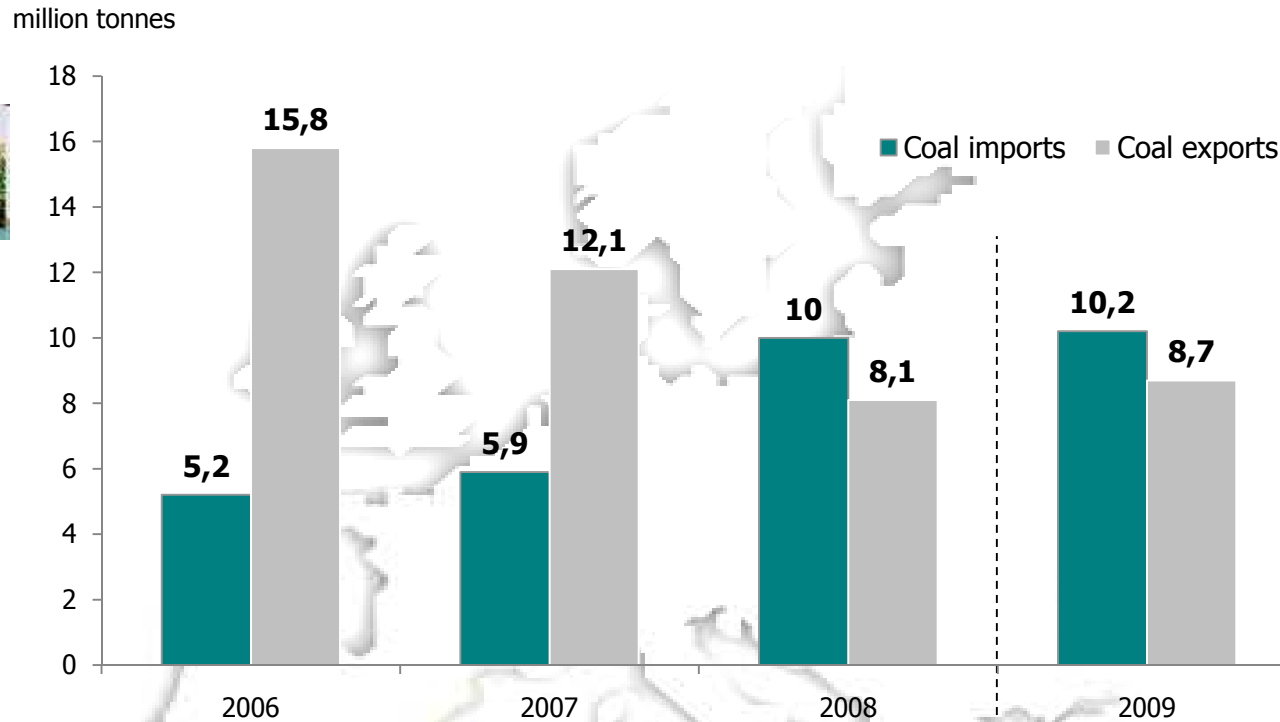
Coal imports vs. coal exports



**ARA Ports
(Amsterdam-
Rotterdam-
Antwerp)**



Russia



Source: Ministry of Economy (without the ZG SILTECH and LW BOGDANKA S.A. mines)



Łączny koszt importu jednej tony węgla z portów ARA
Cena ARA + Załadunek (port) + Fracht + Rozładunek (port) + Transport (kolej)



Cost of imports from the Russian market is dependent upon politics and transport infrastructure of the Russian Federation



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Summary of consolidated results for 2009



(PLN '000)	2008	2009	Change (%)	Projection	% achieved
Revenue	1,033,275	1,118,393	+8.24%	1,143,649	97.79%
Gross profit	305,411	357,460	+17.04%	-	-
EBITDA	339,639	367,988	+8.35%	-	-
EBIT	203,457	226,710	+11.43%	222,455	101.91%
Net profit	155,791	190,842	+22.50%	178,070	107.17%

	2008	2009
Earnings per share (PLN)*	PLN 6.78	PLN 6.64

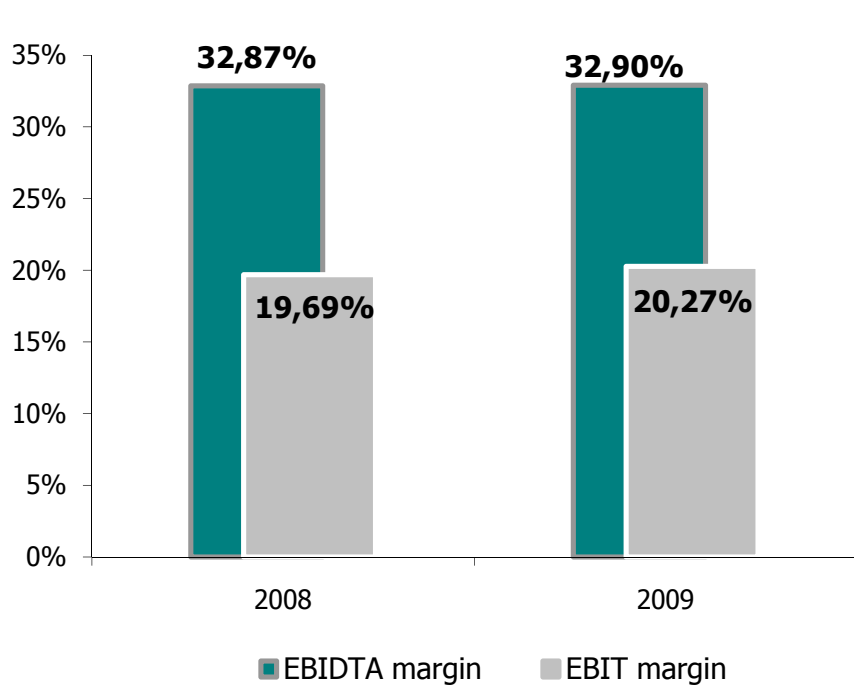
* Basic earnings per share, calculated as the quotient of the profit attributable to the Company's shareholders and the weighted average number of ordinary shares during the year, consolidated data.

 **Dynamic growth of financial results**

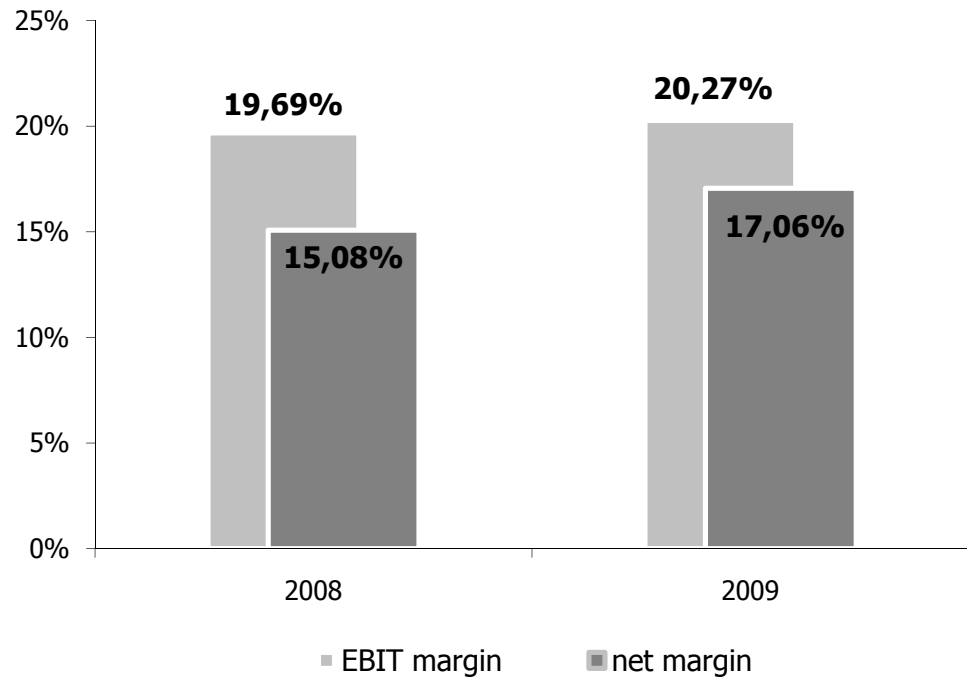
Profitability ratios



EBITDA



EBIT and net profitability



➔ **Higher-than-average profitability in the hard coal industry**

Sales structure

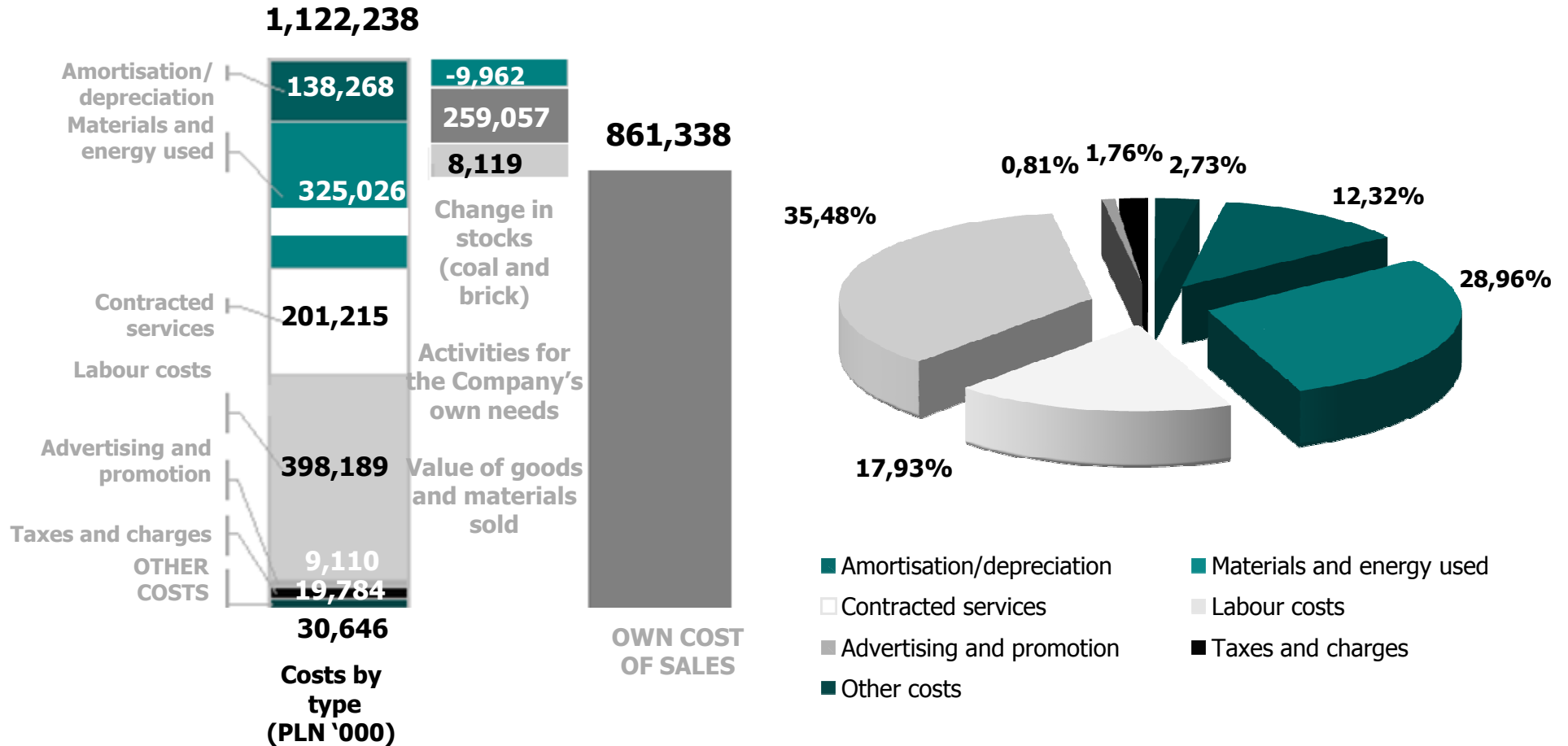


(PLN '000)	2008	share %	2009	share %
Coal sales	996,249	96.42%	1,078,681	96.45%
Sales of ceramics	2,501	0.24%	8,528	0.76%
Other activities	26,145	2.53%	22,514	2.01%
Sales of goods and materials	8,380	0.81%	8,670	0.78%
Total sales revenue	1,033,275	100.00%	1,118,393	100.00%

	2008	2009	change
Production of commercial coal ('000 tonnes)	5,576.56	5,236.73	-339,830 tonnes
Inventories ('000 tonnes) at yearend	4.01	64.78	+60,770 tonnes

- The majority of sales (about 85%) are made under long-term trade agreements with permanent customers, primarily Elektrownia Kozienice S.A., GDF Suez Energia SA (former Elektrownia Połaniec S.A.), ZA Puławy S.A. and ENERGA Elektrownie Ostrołęka S.A.
- In 2009 the extraction of commercial coal was lower than in 2008, which resulted from extraction of coal from parts of the deposit of lower quality and the Company's performance to a larger extent of preparatory and adjustment works in seam 385/2 and elsewhere, which led to a greater stone content in raw excavated material and a decrease in commercial coal extraction despite the capacity of the hoisting gear remaining constant and being used to optimum effect.
- The level of stock recorded as at the end of 2009 is a standard stock level, allowing the current sales to be secured, representing operational technological stock with the current daily extraction of about 17,500 tonnes/day.

Structure of costs by type at LW BOGDANKA S.A.





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Schedules





Building and increasing the value of LW BOGDANKA for shareholders by:

gaining access to new reserves and increasing the level of coal extraction based on the extension of the Stefanów Field

maintaining a stable position as the main supplier of coal in eastern Poland, particularly for the commercial power industry

strengthening its competitive position by cutting the unit costs of extraction and production

Strategic goals

- Doubling extraction (by 2014) – thus doubling market share
- Improving the efficiency of hard coal extraction and production
- Ensuring that LW BOGDANKA S.A. is self-sufficient in its electricity supply
- Environmental protection measures

Investment programme



Capital expenditure in 2009-2010 (PLN '000)

	2009 performance	2010 plan	Total
Growth capex (extension of Stefanów Field)	205,294	550,335	755,629
Purchases of fixed assets	54,712	262,612	317,324
Replacement capex	54,274	61,260	115,534
Environmental protection	858	4,912	5,770
Excavation and modernisation of pits in Bogdanka and Nadrybie fields	54,999	55,203	110,202
Total	370,138	934,322	1,304,460

- Outlays for 2009-2010 were presented in the Prospectus at PLN 1.037 billion, while the actual outlays of the Company are to be PLN 1.304 billion. The discrepancy of PLN 267.63 million results mainly from differences between the principles for preparation and presentation of investment plans and the accounting policies applied.
- Furthermore, based on ongoing monitoring of technological solutions available on the market, the Company, for certain investment tasks, decided to purchase more advanced and expensive solutions than initially assumed. Those decisions followed from an analysis of impact of the new technologies on further increase in production efficiency and resulted from implementation of the Company's strategic goals, assuming continuous improvement in extraction efficiency and application of new technologies, as well as obtaining proceeds from the share issue on the WSE in an amount higher than initially expected.

Achievement of investment goals - 2009



Key investment tasks completed in 2009

- Construction of lifting and ventilation shaft 2.1 in the Stefanów Field:
 - Completion of installation of the final reinforcement for the shaft
 - Launch of design works related to the lifting machine, headframe and top shaft building
- Construction and putting into use the construction facilities of the Bogdanka and Nadrybie Fields (blasting means issuing point in Bogdanka, tower crane in Nadrybie) – modernisation of the existing construction facilities
- Modernisation of mining machines, repair of plant and equipment
- Reconstruction and modernisation of technological line for brick production
- Mining works for excavating pits at a level of 990 m and accessing coal deposits
- Supply of coal-ploughing complex
- Excavation and modernisation of pits in the Bogdanka and Nadrybie Fields

Investment goals – 2010



Key investment plans for 2010:

- Stefanów Field:
 - Continuation of the lifting and ventilation shaft construction
 - Construction of headframe and top shaft building for shaft 2.1 and construction of the lifting machine supply system
 - Surface structures at the Stefanów Field – completion of construction of lifting machine S2.1 building with switch room, lifting machine supply system and extension of the 110kV station, construction of main fans station
 - Central air-conditioning system of the Stefanów Field – works continued
- Extension of Mechanical Coal Processing Plant – selection of a contractor and commencement of extension works to achieve the production capacity of 2400 Mg/h, continued construction of the excavated material haulage facilities from the Stefanów Field to the plant
- Extension of Bogdanka's track system in connection with the extraction increase planned for 2011 – tender procedure and start of extension
- Work related to accessing coal deposits
- Purchases of finished goods
- Launch of coal-ploughing complex
- Replacement investments
- Excavation and modernisation of pits in the Bogdanka and Nadrybie Fields

Thank you



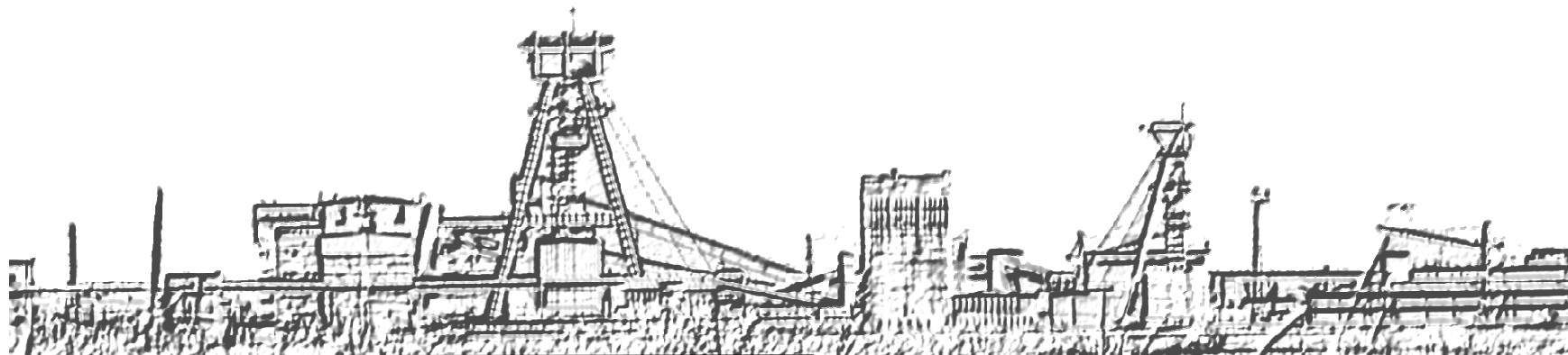
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Profit and loss account



[PLN '000]	2008	2009	Change %
Revenue	1,033,275	1,118,393	+8.24%
Cost of products, goods and materials sold, sales and administrative costs	821,466	868,866	+5.77%
Gross profit on sales	211,809	249,527	+17.81%
Other revenue	1,222	6,143	+402.70%
Other costs	3,707	2,140	- 42.27%
Operating profit (loss) net	209,324	253,530	+21.12%
EBIT margin (%)	19.69%	20.27%	
EBITDA	339,639	367,988	+8.35%
EBITDA margin (%)	32.87%	32.90%	
Financial income	7,609	18,112	+138.03%
Financial costs	9,060	7,076	-21.90%
Profit before tax	201,907	237,835	+17.79%
Income tax	46,116	46,993	+1.90%
Net profit	155,791	190,842	+22.50%
Net profit margin (%)	15.08%	17.06%	
Profit attributable to Company's shareholders	156,009	191,472	+22.73%

**Source: Company, consolidated ISFR results*

Balance sheet



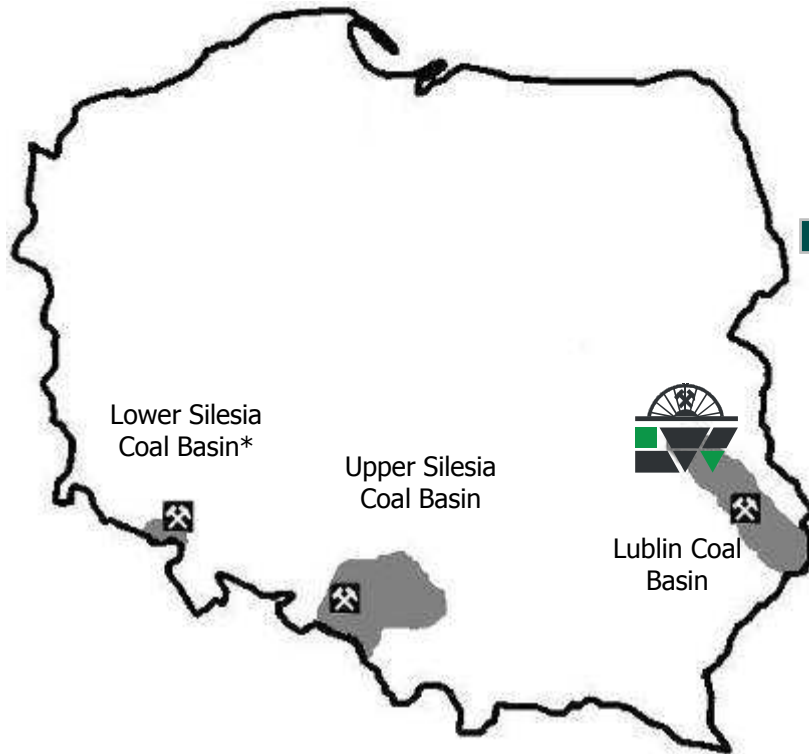
[PLN '000]	31.12.2008	31.12.2009
Fixed assets, of which:	1,386,033	1,617,528
Cash and cash equivalents	41,073	46,158
Current assets, of which:	271,397	852,286
Cash and cash equivalents	99,874	681,659
Total assets	1,657,430	2,469,814
Current liabilities	318,828	253,138
Non-current liabilities	222,854	477,779
Total liabilities	541,682	730,917
Equity	1,115,748	1,738,897
Current loans	100,000	-
Non-current loans	-	250,000

**Source: Company, consolidated ISFR results*

Mining companies in Poland



Hard coal mine sector in Poland



**coke and anthracite coal (extraction discontinued in 2000)*



2 coal basins:

- ❑ Lublin region – power coal
- ❑ Upper Silesia region – power coal and coke coal



32 working mines, including:

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

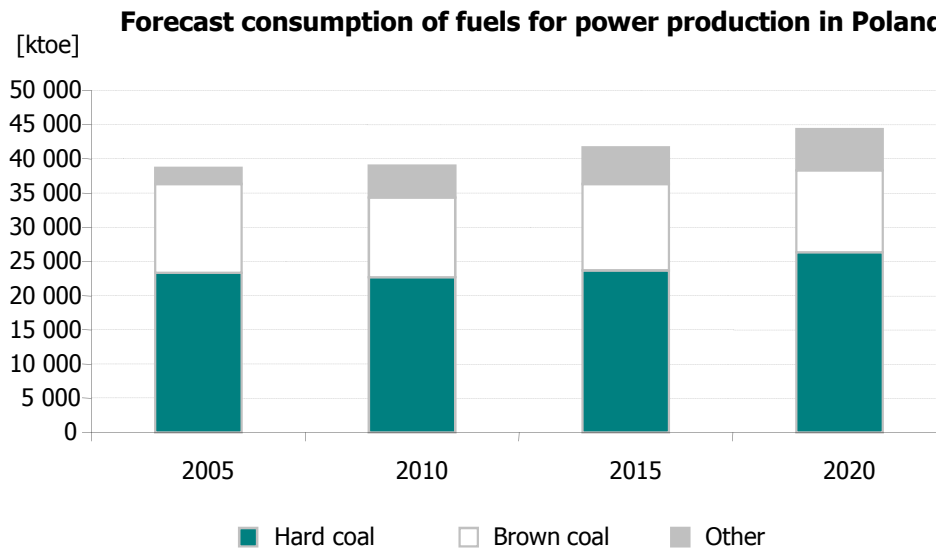
LW BOGDANKA – sole producer of hard coal in eastern Poland



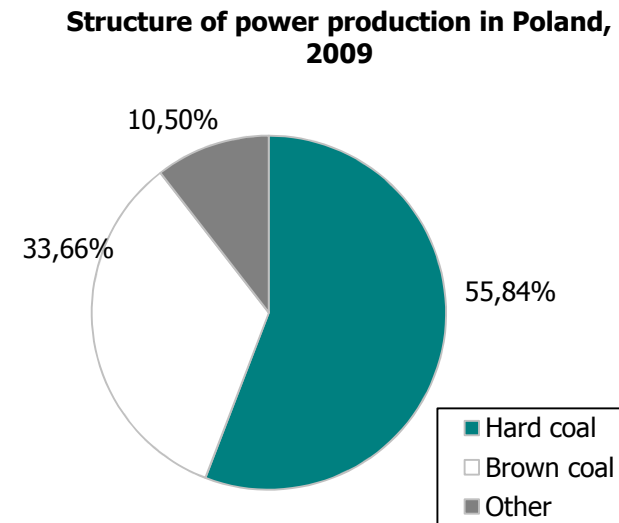
Hard coal – main power source

- ➔ Almost 90% of electric power produced in Poland is produced from coal, mainly hard coal (55.84%).
- ➔ Forecast stable and long-term demand for coal:
 - Planned new power blocks* (16.3 GW – 33.4 million tonnes of coal)
 - No effective alternative sources (until 2020)
 - Increase in demand for power contained in the initial power carriers, including coal, by about 21% by 2030
 - Majority of coal extracted in Poland is power coal (power coal 88.1% / coke coal 11.9%).

**Source: International Energy Agency, Ministry of Economy, PGE, PKE, ZA Puławy, press information*



Source: Ministry of Economy – Poland’s Power Policy Through 2030



Source: Polskie Sieci Elektroenergetyczne Operator S.A.