

Presentation of financial results for 1st quarter of 2010

Warsaw, May 2010



www.bogdanka.eu



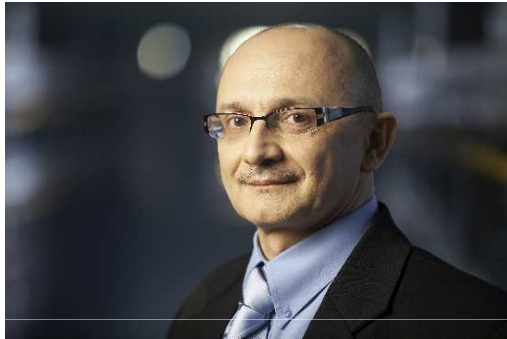
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KEY INFORMATION ABOUT LW BOGDANKA

Hard coal market

LW Bogdanka in 1Q 2010

Development strategy and investment goals

Appendices

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- One of the **largest** and most **state-of-the-art hard coal mines** in Poland
 - Producer of power coal used for production of electricity
 - **Recoverable resources: 251.3 million metric 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)
 - **Cutting-edge technologies** and world-class machinery used in the process of hard coal extraction – **low failure rate**, no unscheduled stoppages, and **extraction efficiency**
 - **Experienced Management Board** working for many years in the hard coal industry
- **Much higher coal extraction efficiency than the average of the industry** in Poland:
- general efficiency in 1Q 2010: **249.86%** of the industry average
 - underground efficiency in 1Q 2010: **284.66%** of the industry average



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HARD COAL MARKET

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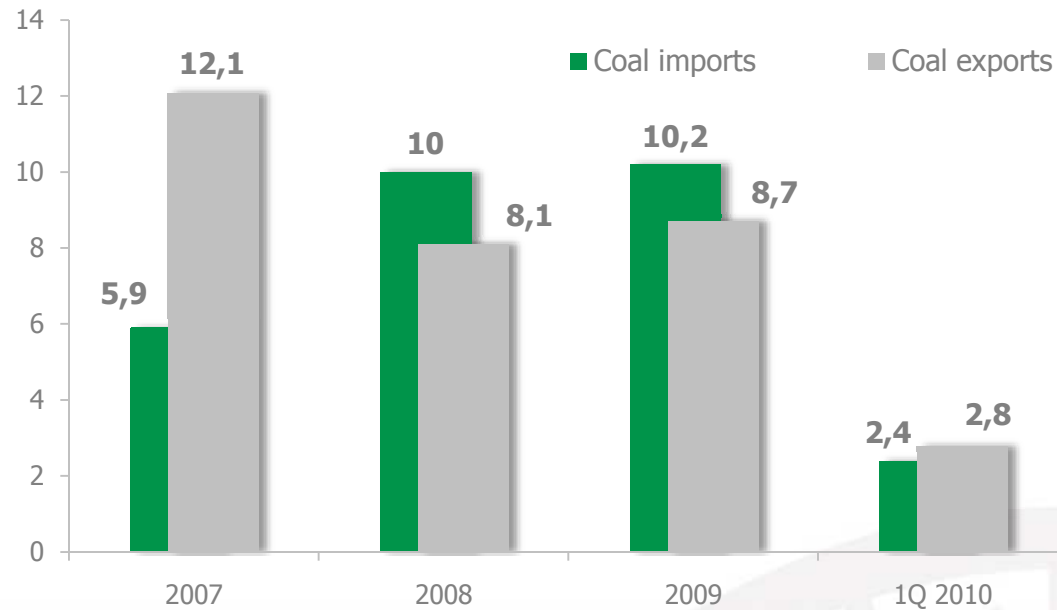
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- Currently the company observes improvements in trading conditions for coal and reduction of pressure to reduce coal prices that occurred in 2009.
- Despite the observed growth in world coal prices, growth of coal prices in Poland is limited by high supply of coal from the company's competitors, related to the high level of stock from recent years. This may result in reduction of coal imports to Poland.
- Situation of Silesian companies:
 - Extraction of hard coal at Silesian mines in 1Q 2010 was 18.3 million metric tonnes, down 1.9% from 1Q 2009. Extraction of power coal fell by 1.9%, but coke coal rose by 46.6%.
 - The stock of hard coal at the mines as of the end of March 2010 was 5.6 million tonnes (an increase of 2.26 million tonnes from the end of March 2009).
 - Coal sales in 1Q 2010 were 17.039 million tonnes, up 2.5% from the figure of 16.618 million tonnes in 1Q 2009.
 - The unit sale price was PLN 278.52 per tonne, down 3%.



Imports vs. Exports



Source: Ministry of Economy, Central Statistical Office (excluding mines of ZG Siltech and LW Bogdanka S.A.)

Data for imports in 1Q 2010 – company estimates based on imports in Jan.-Feb. 2010



Total cost of importing a tonne of coal from ARA ports

ARA price + Loading (port) + Shipping + Unloading (port) + Transport (rail)



Cost of imports from the Russian market depends on politics and transportation infrastructure of Russian Federation

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Key events at LW Bogdanka in 1Q 2010



- In March 2010 Polish pension funds purchased a 46.7% stake in LW Bogdanka from the State Treasury for over PLN 1 billion, thus making LW Bogdanka a private company.
- In 1Q 2010 the LW Bogdanka Capital Group invested a total of over PLN 180 million in tangible fixed assets.
- At the end of March 2010 the first phase of trial start-up of the new coal-ploughing complex, designed for extraction of low-lying coal beds, was completed. As of the end of April the complex achieved output of 8,000 tonnes per day, providing an increase in commercial coal yield of about 7%. Production tests of the complex are planned for the end of May.



Key events at LW Bogdanka in 1Q 2010



(PLN '000)	1Q 2009	1Q 2010	Change (%)
Revenue	244,506	294,096	20.28%
Gross profit	83,587	95,672	14.46%
EBITDA	91,600	95,261	4.00%
EBIT	59,129	62,164	5.13%
Net profit	47,413	52,770	11.53%

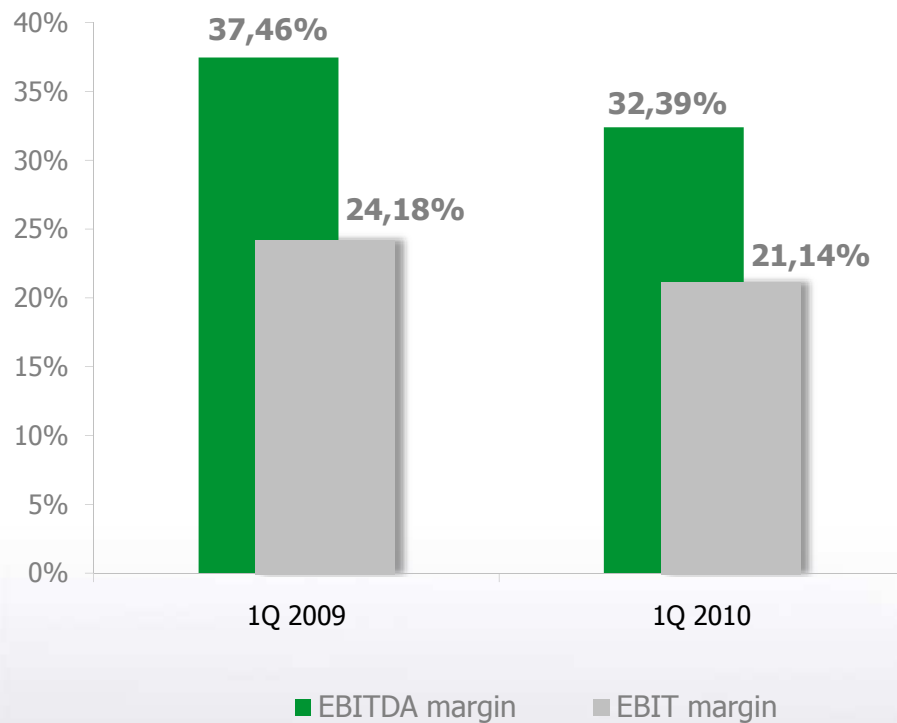
	1Q 2009	1Q 2010
Earnings per share (PLN)*	PLN 2.06	PLN 1.55

* 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 quarter, consolidated data.

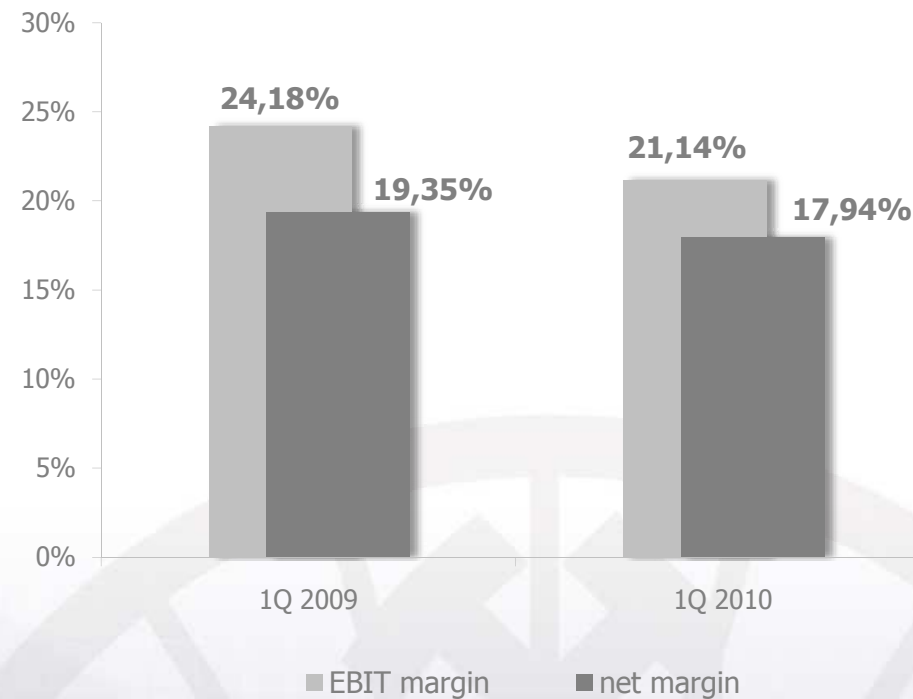


Profitability ratios

EBITDA and EBIT margins



EBIT and net margins



Sales structure

(PLN '000)	1Q 2009	share %	1Q 2010	share %
Coal sales	233,646	95.56%	284,890	96.87%
Sales of ceramics	2,538	1.04%	1,463	0.50%
Other activities	5,976	2.44%	5,844	1.99%
Sales of goods and materials	2,346	0.96%	1,899	0.64%
Total sales revenue	244,506	100.00%	294,096	100.00%

	1Q 2009	1Q 2010	Change
Production of commercial coal ('000 tonnes)	1,234.46	1,400.80	+13.47%
Inventories ('000 tonnes) – as of 31.03.2010	128.23	94.64	-33.59

- 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., Energa Elektrownie Ostrołęka S.A.
- The level of stock recorded at the end of the 1st quarter is a standard stock level, allowing the current sales to be secured, representing operational technological stock with a current daily extraction of about 18,000 tonnes/day.



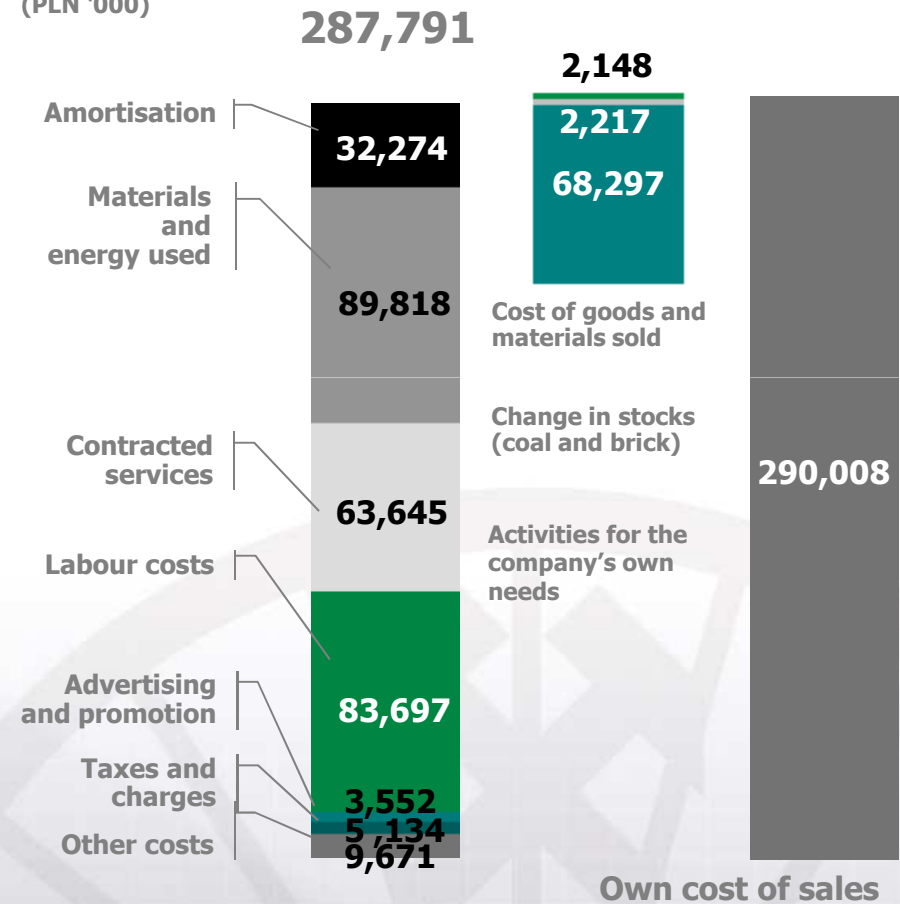
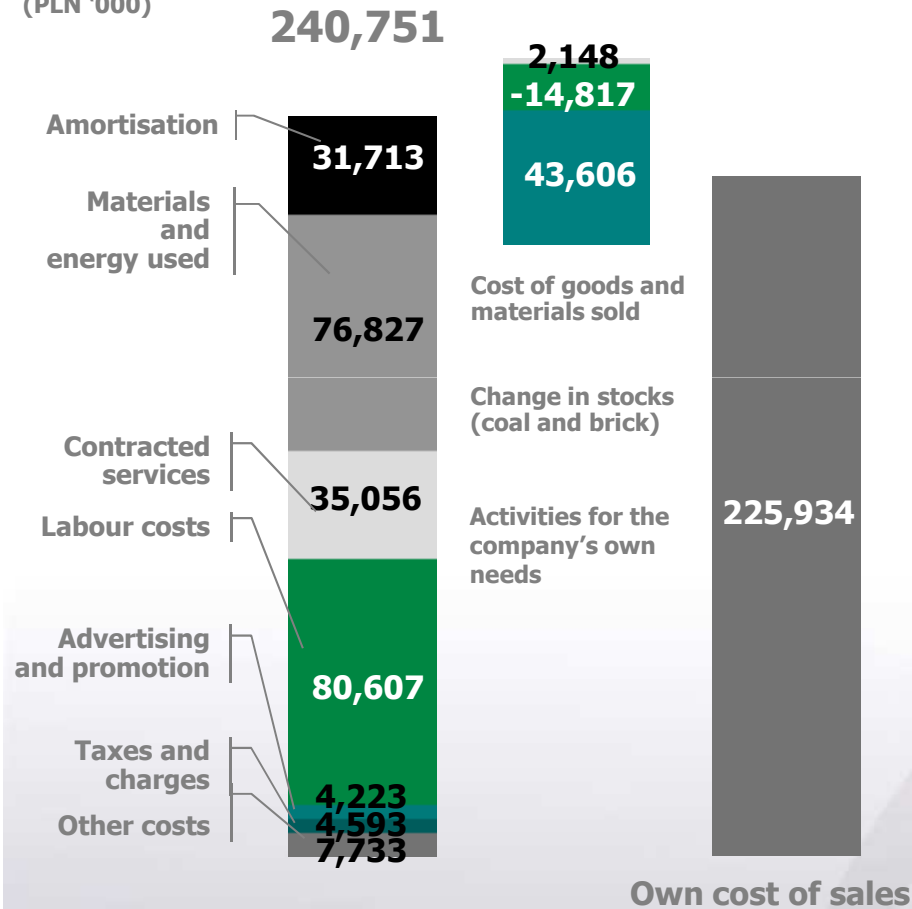
Structure of costs by type at LW Bogdanka

1Q 2009

1Q 2010

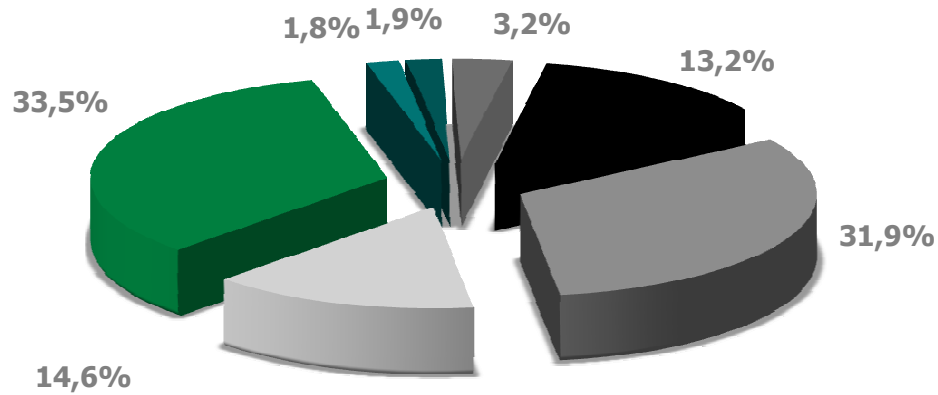
Costs by type
(PLN '000)

Costs by type
(PLN '000)



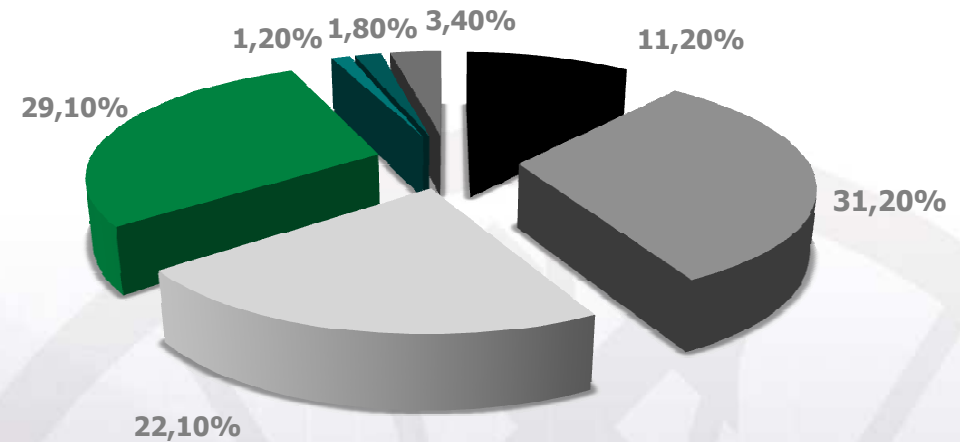
Structure of costs by type at LW Bogdanka

1Q 2009



- Amortisation
- Materials and energy used
- Contracted services
- Labour costs
- Advertising and promotion
- Taxes and charges
- Other costs

1Q 2010



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LW Bogdanka in 1Q 2010

DEVELOPMENT STRATEGY AND INVESTMENT GOALS

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Building and increasing the value of the LW Bogdanka Group for shareholders, by:



gaining access to new reserves and increasing the level of coal extraction – 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 coal extraction and production
- Ensuring that LW Bogdanka S.A. is self-sufficient in its electricity supply
- Environmental protection measures



Investment expenditures in 2010

(PLN '000)	2010 Plan
Growth capex (extension of Stefanów Field)	550,335
Purchases of fixed assets	262,612
Replacement capex	61,260
Environmental protection	4,912
Excavation and modernisation of pits in Bogdanka and Nadrybie fields	55,203
Total	934,322

(PLN '000)	Expenditures in 1Q 2010
Construction and installation works	77,108.73
Delivery completion and purchases of fixed assets	103,105.62
Intangibles	76.38
Other	304.97
Advances toward fixed assets under construction	0
Total	180,595.70



Achievement of issue goals in 1Q 2010

In the 1st quarter of 2010 the company spent PLN 22,445,000 of proceeds from the issue of Series C shares to carry out the following investment tasks:

- Construction of lifting and ventilation shaft 2.1 in the Stefanów Field
- Construction of system for transporting extracted material from the Stefanów Field to the mechanical coal processing plant
- Construction of surface structures at the Stefanów Field (shaft 2.1 lifting machine building with switch room, and main fans station at shaft 2.1)
- Air conditioning of underground portion of the mine



Thank you



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Development strategy and investment goals

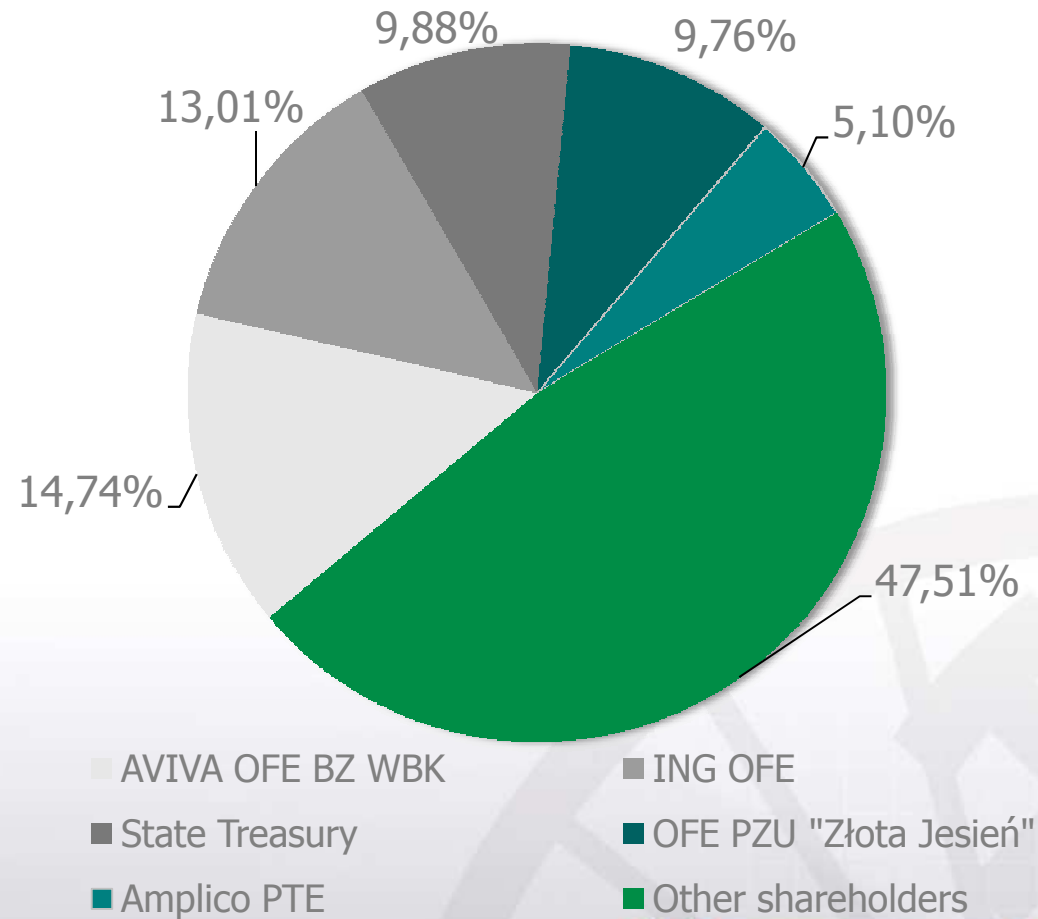
APPENDICES

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Shareholding structure

Shareholding structure of LW Bogdanka as of 17 May 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, and 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
- **motivational system of staff work organisation**
- **mine innovativeness** – a number of innovative solutions enhancing extraction efficiency
- **seven-time winner** in Polish Academy of Sciences competition for the best mine in Poland

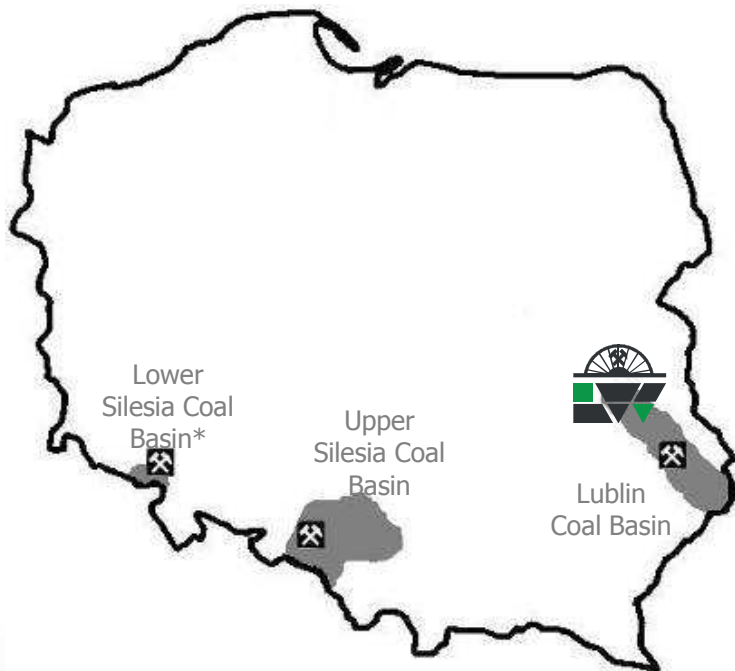
Much higher coal extraction efficiency than the industry average in Poland:

- general efficiency in 1Q 2010: **249.86%** of the industry average
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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 – 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 – 6 mines
- ❑ Południowy Koncern Węglowy S.A. (Tauron Group) – 2 mines
- ❑ Siltech Sp. z o.o. – 1 mine

LW Bogdanka – the only producer of hard coal in eastern Poland

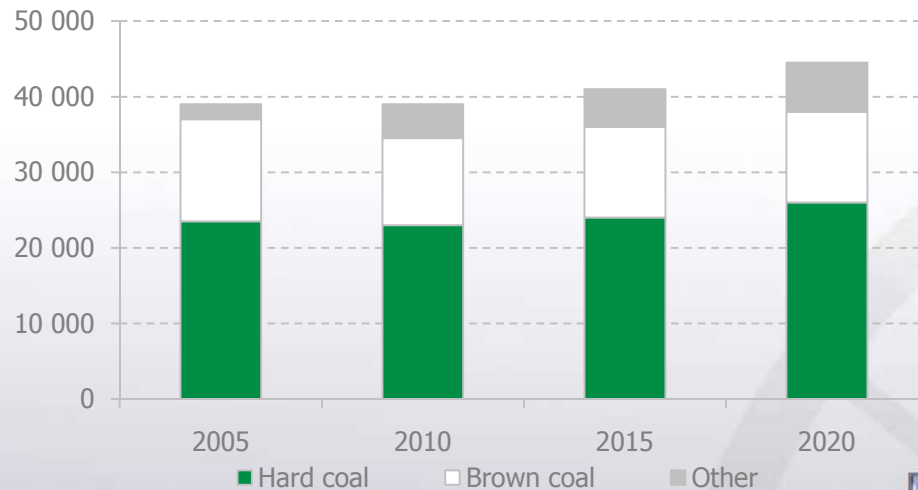


Hard coal – main power source

- ➔ Almost 90% of electricity produced in Poland is produced from coal, mainly hard coal (55.2%).
- ➔ 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 initial power carriers, including coal, by about 21% by 2030
 - majority of coal extracted in Poland is power coal (power coal 89.1%/coke coal 10.9%)

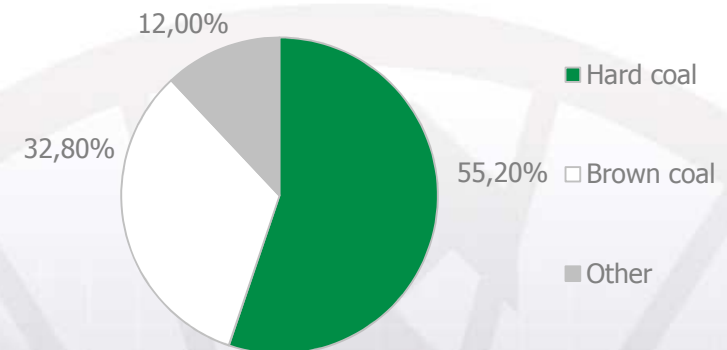
**Sources: International Energy Agency, Ministry of Economy, PGE, PKE, ZA Puławy, press reports*

Forecast consumption of fuels for power production in Poland



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

Structure of power production in Poland, 1Q 2010



Source: Polskie Sieci Elektroenergetyczne Operator S.A.



Profit and loss account

(PLN '000)	1 Q 2009	1Q 2010	Change (%)
Revenue	244,506	294,096	+20.28%
Cost of products, goods and materials sold, sales and administrative costs	185,797	223,777	+20.44%
Gross profit on sales	58,709	70,319	+19.78%
Other revenue	1,434	2,013	+40.38%
Other costs	1,100	1,566	+42.36%
Operating profit (loss) net	59,043	70,766	+19.86%
EBIT margin (%)	24.18%	21.14%	
EBITDA	91,600	95,261	+4.00%
EBITDA margin (%)	37.46%	32.39%	
Financial income	1,175	6,238	+430.89%
Financial costs	1,741	2,650	+52.21%
Profit before tax	58,998	65,798	+11.53%
Income tax	11,682	13,028	+11.52%
Net profit	47,316	52,770	+11.53%
Net profit margin (%)	19.35%	17.94%	
Profit attributable to company's shareholders	47,186	52,957	+12.23%



Balance sheet

(PLN '000)	31.12.2009	31.03.2010
Fixed assets, of which:	1,617,528	1,765,061
Cash and cash equivalents	46,158	46,768
Current assets, of which:	852,286	849,058
Cash and cash equivalents	681,659	643,603
Total assets	2,469,814	2,614,119
Current liabilities	253,138	347,873
Non-current liabilities	477,779	474,579
Total liabilities	730,917	822,452
Equity	1,738,897	1,791,667
Current loans	-	-
Non-current loans	250,000	250,000

