

Investors presentation Y2010

Warsaw, 21 March 2011



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Effectiveness leader

- One of **the largest and most state-of-the-art hard coal mines** in CEE,
 - Producer of power coal used for production of electricity,
 - **Recoverable resources: 247 million metric tonnes** of coal (current licence ensures the mine's life until 2034)
 - **Good geographic location** (Lublin Coal Basin) for major customers (location advantage) and **good natural conditions** (low recultivation 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 high **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 Y 2010: **268.3%** of the industry average (240.8% in Y 2009)
 - underground efficiency in Y 2010: **286.6%** of the industry average (296.3 % in Y 2009)



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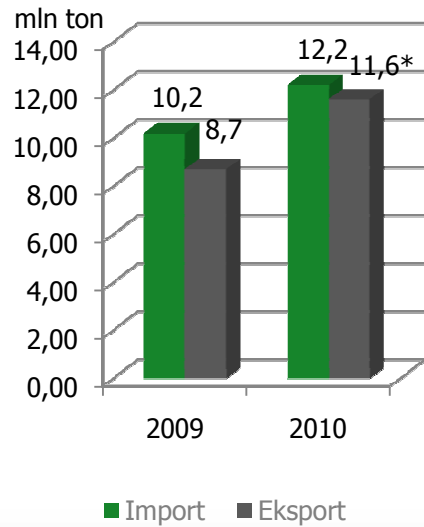
Domestic market demand...

- Currently the Company witnesses an increase in the demand on the domestic market for coal to be supplied in 2011. Decrease in coal reserves on mounds.
- The average price of power coal (all types) in the industry in 2010 was PLN 253.33 per tonne, down by 5.6% compared to the figure for 2009.
- Growing sales, combined with a reduction in output, provide conditions for an increase in prices in the course of 2011.
- Situation of Silesian companies:
 - ✓ Extraction of hard coal in the Silesian companies in Y 2010 was 70.2 million tonnes and was lower by 2.6% than the extraction obtained in the same period of 2009 including the power coal output of 58,501,600 tonnes, down by 7.8%.
 - ✓ The stock of hard coal in mines as at the end of Y 2010 stood at a level of 3.93 million tonnes and was lower by 0.86 million tonnes as compared to the end of Y 2009.
 - ✓ The total coal sales volume in 2010 was 69,470,500 tonnes, which was an increase by 2.69% compared to 67,599,300 tonnes in 2009. This included a power coal sales volume of 58,140,700 tonnes (down by 0.8%).
 - ✓ Sales of coal during Y 2010 amounted to 58.84 million tonnes and was lower by 0.15 million tonnes as compared to the end of Y 2009.
 - ✓ An average unit cost of coal extraction in the Y 2010 in the hard coal sector was PLN 270.04 /tonne and was higher compared to the analogous period of 2009 by 3.0%

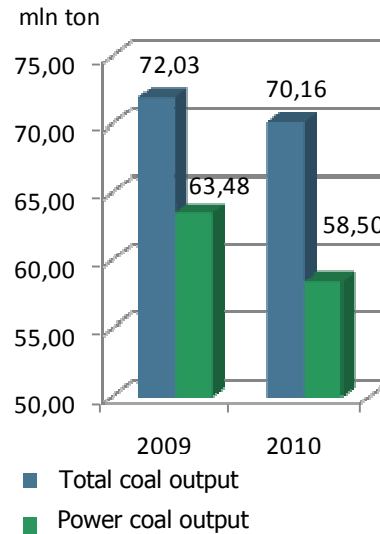


... creates conditions for price growth

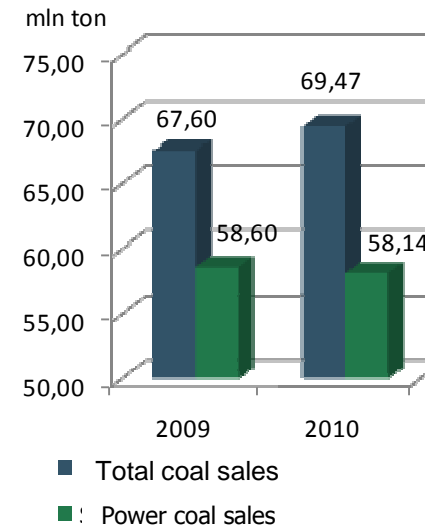
Import and export of coal



Coal output in the industry



Coal sales in the industry



Source: Ministry of Economy, Central Statistical Office (excluding mines of ZG Siltech and LW Bogdanka S.A.) - Informacja o funkcjonowaniu górnictwa węgla kamiennego w 2009 r. i 2010 r.

* Data for imports in Y 2010 – company estimates based on imports in Jan.- Nov 2010



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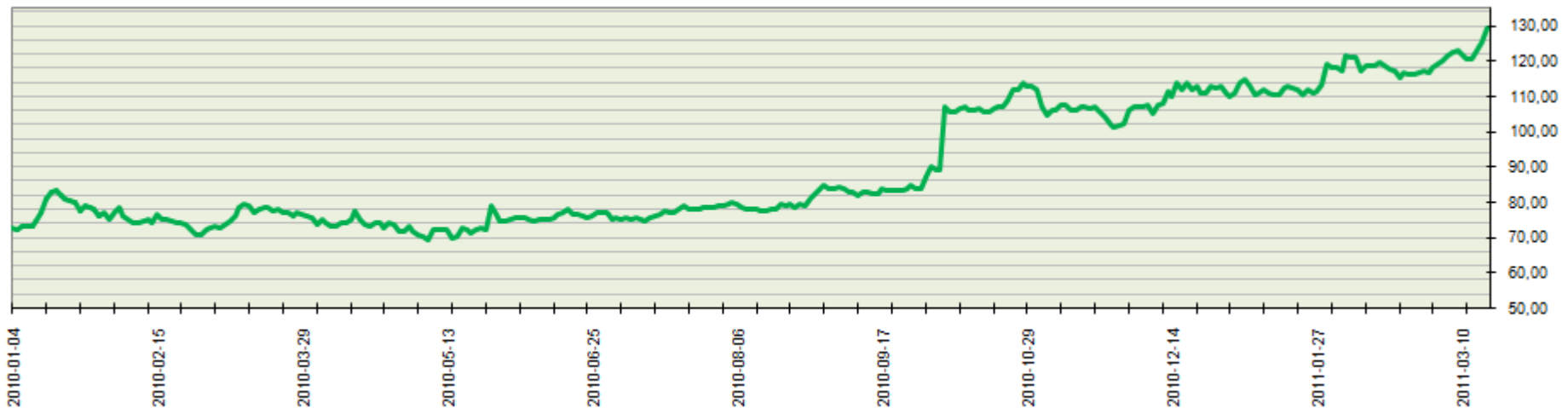
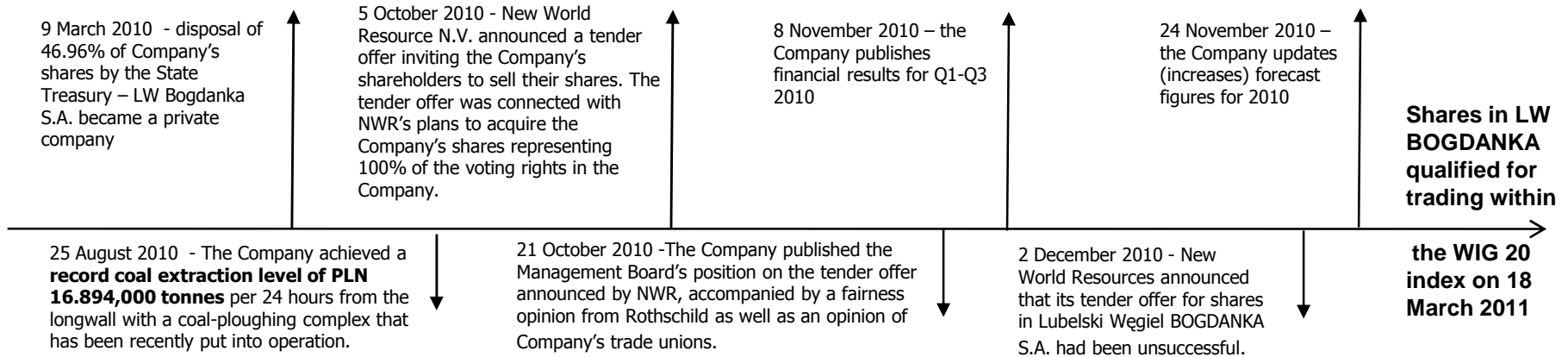
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Consistent creation of shareholders value



Exceeded financial forecasts

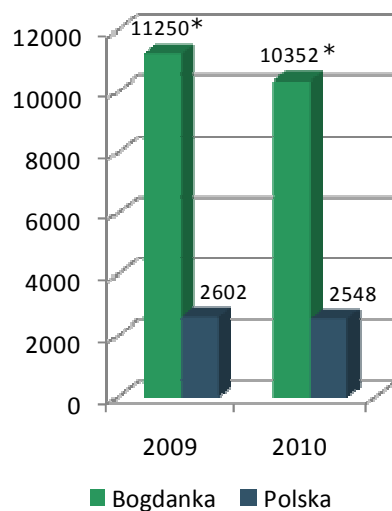
PLN (000')	1-4Q 2009	1-4Q 2010	Change [%]	Projection 2010 (update 24.11.2010)	Achieved [%]
Revenue	1 118 393	1 230 447	10.02%	1 237 000	99.47%
Gross profit	357 460	409 684	14.61%	-	-
EBITDA	367 988	414 548	12.65%	410 000	101.11%
EBIT	226 710	276 472	21.95%	270 000	102.40%
Net profit	190 842	230 122	20.58%	224 000	102.73%
Earnings per share (PLN)	6.64	6.76	1.81%		

- High EBITDA, despite the expenditure connected with the planned increase in coal output, particularly personnel costs
- Financial forecasts, increased in November 2010, exceeded with regard to profits

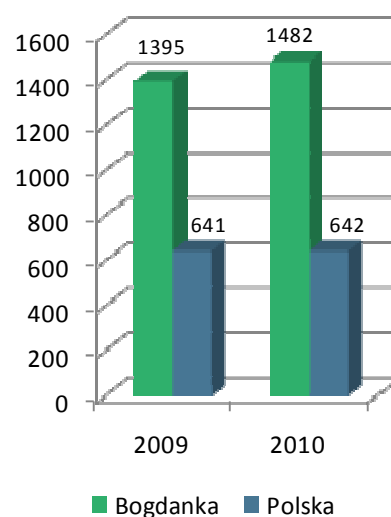


continued improvement of operational indicators...

Productivity (t/wall/day)



Efficiency (t/employee/year)



Coal output and coal extraction levels were improved by:

- Implementation of modern technological solutions in coal extraction, e.g. purchase of a coal-ploughing complex for excavating low deposits (in operation for approx. 7 months in the year) and improvement of the system for the initial separation system of stone from the excavated coal material under the ground
- full (optimum) use of the mine's state-of-the-art technological park
- regular periodic services and inspections of machines and equipment in accordance with manufacturers' recommendations – virtually no interruption in coal production

Note: data as of Y2010. „Poland” represents average for Polish mines excluding the Company

Source: Company's calculations based on – „INFORMACJA o funkcjonowaniu górnictwa węgla kamiennego w czerwcu oraz w okresie styczeń – czerwiec 2010r.”, document prepared by the Ministry of Economy

*2009: coal was extracted from two mining faces, 2010: for three months, coal was extracted from three mining faces

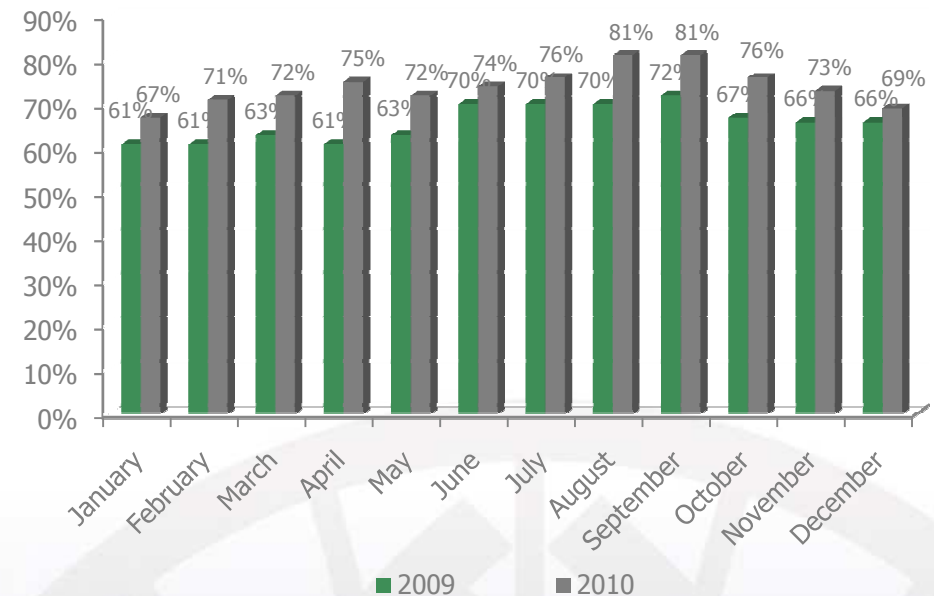
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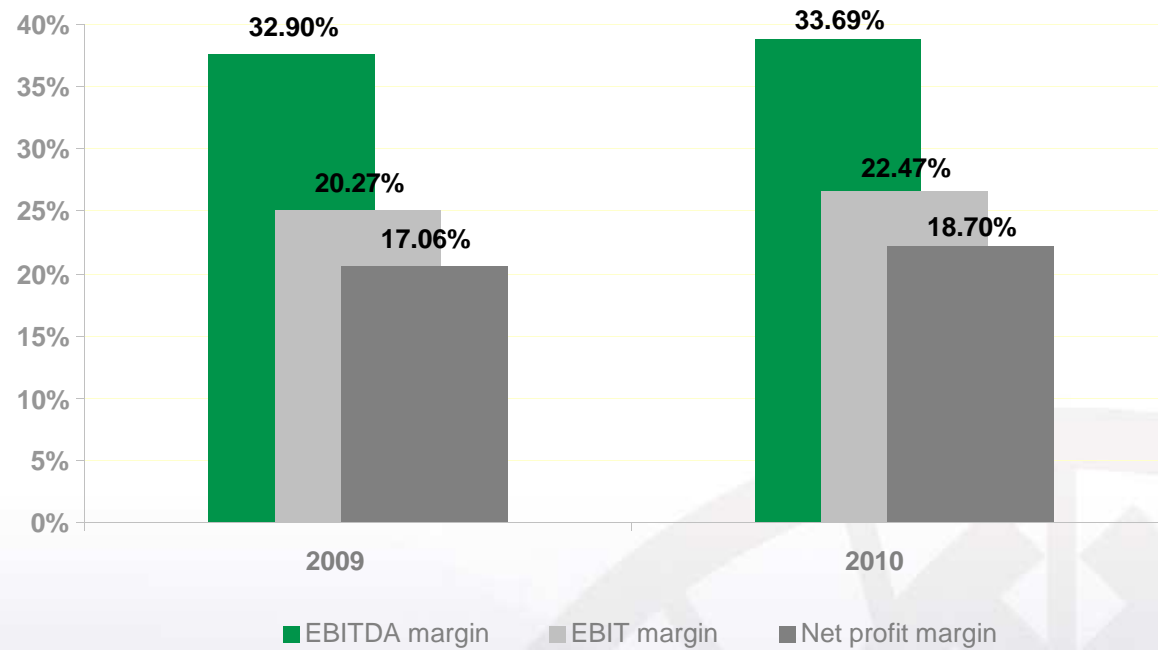
Continued improvement in operating indicators...

- The Company achieved the highest ever coal output level, i.e. 5,800,030 tonnes (up by almost 11% compared to 2009) (gross output down by 1.4%)
- LW BOGDANKA S.A. saw an increase in coal extraction levels (net coal extracted / excavated coal material) to 74.00% (compared to 65.90% in the previous year), as a result of, among other things, the use of coal ploughing
- Following a decrease in prices in the fourth quarter of 2009, the price dropped in 2010 by 1.7% on average. At the same time, the Company increased its sales volume by nearly 10% and restored its special-purpose coal reserve - to 136,700 tonnes

Commercial coal yield



Enhanced profitability ratios



Source: The Company

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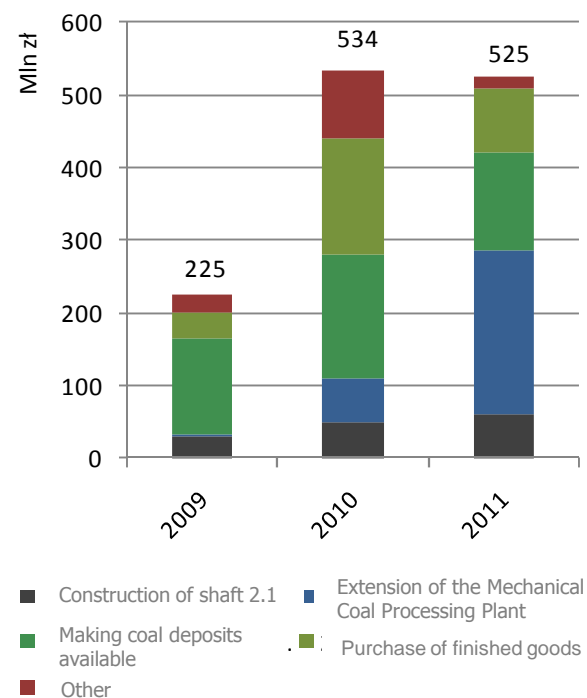


Development of Stefanów field progressing on schedule

CAPEX

- Planned CAPEX for development investments for 2010-2011 is slightly lower due to favourable conditions under contracts awarded on a tender basis
- In 2010-2011, the total expenditure on developmental investments and purchase of finished goods was planned at PLN 1,073 million (PLN 618 million + PLN 455 million). Currently, the figure is PLN 1,059 million (PLN 534 million + PLN 525 million).
- The change is favourable from the financial point of view (expenses to be incurred later) and is neutral to the implementation of the Company’s main strategic objective of doubling its output by 2014.

Outlays for development investments (including purchase of investment goods) in 2009-2011



In 2010, the Company was carrying out the following investment projects:

- Continuing the construction of an excavation and ventilation shaft 2.1 in the Stefanów Field, together with accompanying facilities
- Extension of the Mechanical Coal Processing Plant and construction of a conveyor belt system for transporting excavated material from shaft 2.1 in the Stefanów Field to the Mechanical Coal Processing Plant in the Bogdanka Field
- Construction of a central air-conditioning station for the Stefanów Field
- Building of horizontal workings
- Environmental protection investments
- Modernisation of the existing buildings and construction of new ones
- Purchases of finished goods.



Investment expenditure in 2010-2011

Item	Investment task	2010 [PLN '000]	2011 [PLN '000]
1.	Development investments, including:	367 665	437 369
a)	Technical infrastructure at the surface of the Stefanów Field, shaft 2.1, extension ZPMW, other items including	204 832	303 682
	- Construction of an excavation and ventilation shaft 2.1 in the Stefanów Field	47 989	59 520
	- Extension of the Mechanical Coal Processing Plant	61 193	227 020
	- Other investments in the Stefanów Field's technical infrastructure	76 323	14 112
	- Extension of the Bogdanka station's track system	19 327	3 030
b)	Making coal deposits available	162 833	133 687
2.	Purchases of finished products investment, including:	180 552	121 715
a)	Coal-ploughing complex - 1 (panel 1/VI/385)	134 562	0
b)	Purchases of finished products – other assets, and intangible assets	45 990	121 715
3.	Replacement investments	40 356	105 988
4.	Environmental protection	1 258	2 125
5.	Construction and modernisation of workings in fields Bogdanka and Nadrybie	83 098	121 206
6.	Total investment expenditure	672 929	788 403



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Profit and loss account

(PLN '000)	2009	2010	Change % [2010/2009]
Revenue	1 118 393	1 230 447	10,02%
Cost of products, goods and materials sold, sales and administrative costs	868 866	926 865	6.68%
Gross profit on sales	249 527	303 582	21.66%
Other revenue	6 143	3 902	-36.48%
Other costs	2 140	3 343	56.21%
Operating profit (loss) net	226 710	276 472	21.95%
EBIT margin (%)	20,27%	22,47%	10.85%
EBITDA	367 988	414 548	12.65%
EBITDA margin (%)	32,90%	33,69%	2.40%
Financial income	18 112	25 362	40.03
Financial costs	7 076	13 546	91.44%
Profit before tax	237 835	288 229	21.19%
Income tax	46 993	58 107	23.65%
Net profit	190 842	230 122	20.58%
Net profit margin (%)	17,06%	18,70%	9.61%
- Profit attributable to company's shareholders	191 472	229 811	20.02%

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Balance sheet



PLN (000')	2009	2010
Fixed assets, including:	1 617 528	2 163 972
Cash and cash equivalents	46 158	50 909
Current assets, including:	852 286	664 073
Cash and cash equivalents	681 659	472 101
Total assets	2 469 814	2 828 045
Current liabilities	253 138	403 139
Non-current liabilities	477 779	455 887
Total liabilities	730 917	859 026
Equity	1 738 897	1 969 019
Current loans	--	50 000
Non-current loans	250 000	200 000



Consolidated Cash Flow Statement



('000 PLN)	2009	2010
Operating cash flow	365 586	368 235
Operating cash inflow	423.069	443.700
Interest paid	- 9.353	- 12.268
Income tax paid	- 48.130	-63.197
Investing cash flow	-365 932	- 597 244
Acquisition of tangible fixed assets	- 373 468	- 617 159
Acquisition of intangible fixed assets	- 4 331	- 397
Inflow from the sale of tangible fixed assets	188	110
Interest received	16 764	24.973
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	- 5 085	- 4.751
Financing cash flow	582 131	19 451
Net proceeds from the sale of shares	521 051	-
Loans and borrowings received	180 000	-
Loans and borrowings repaid	- 30 000	-
Dividend paid to shareholders of the parent entity	- 88 920	-
Net increase / (decrease) in cash and cash equivalents	581 785	- 209 558
Cash and cash equivalents at beginning of period	99 874	681 659
Cash and cash equivalents at end of period	681 659	472 101

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Sales structure

(PLN '000)	2009	share	2010	share
Coal sales	1 078 681	96.45%	1 191 016	96.80%
Sales of ceramics	8 528	0.76%	7 868	0.64%
Other activities	22 514	2.01%	22 442	1.82%
Sales of goods and materials	8 670	0.78%	9 121	0.74%
Total sales revenue	1 118 393	100.00%	1 230 447	100.00%

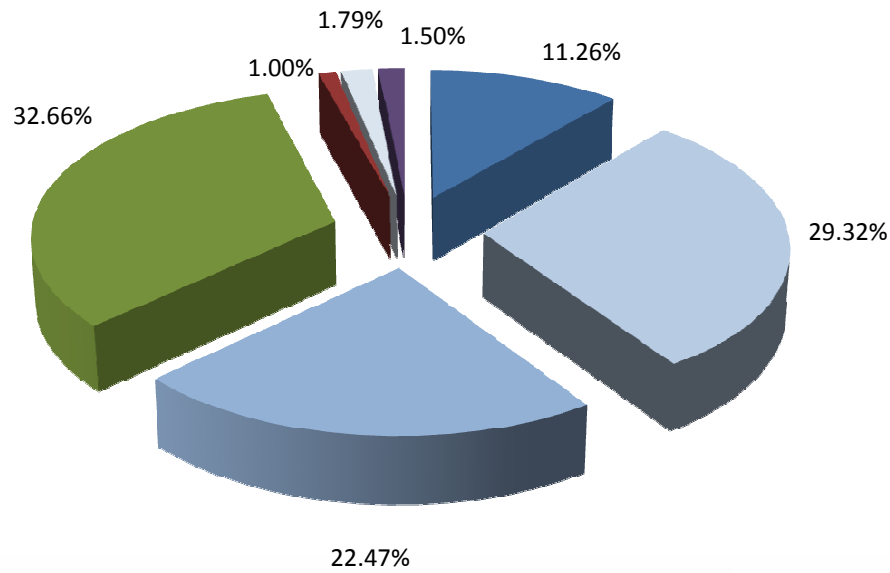
	2009	2010	Change
Production of commercial coal ('000 tonnes)	5 236,73	5 800,03	10.76%
Inventories ('000 tonnes) – as of 31.12.2010	64.78	136.73	111.05%

- Majority of sales (approx. 80%) is performed under long-term trade agreements with permanent customers, primarily Elektrownia Koźienice S.A., Elektrownia Połaniec S.A. - GDF Suez Energia Polska, ENERGA Elektrownie Ostrołęka S.A.
- The current coal reserve level is a special-purpose coal reserve, with the current output of 19,100 tonnes per 24 hours. The reserve is sufficient to deliver orders for coal delivery in the first quarter of 2011.

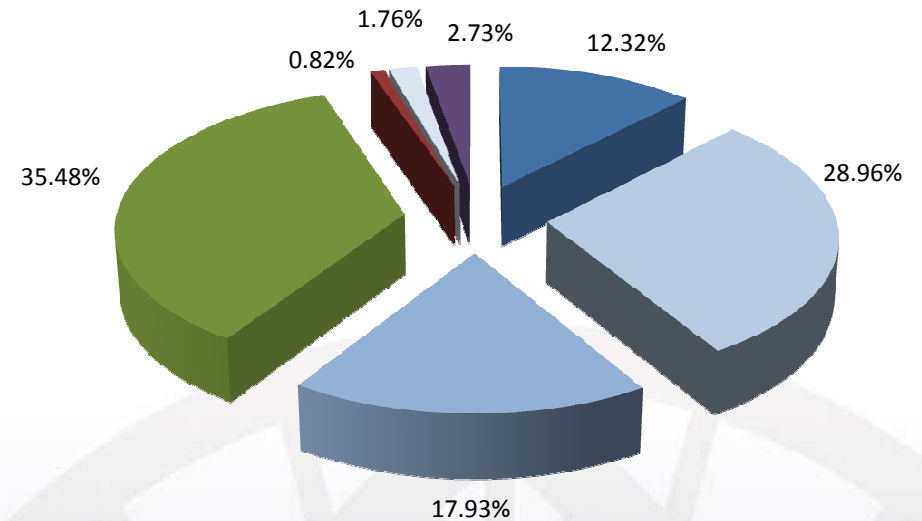


Structure of costs by type at Bogdanka

Y 2010



Y 2009



- Depreciation and amortisation
- Energy and materials
- Third party services
- Labour
- Representation and advertisement
- Taxes
- Other



Thank You



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