

Investors presentation 1Q 2011

Warsaw, 12 May 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.

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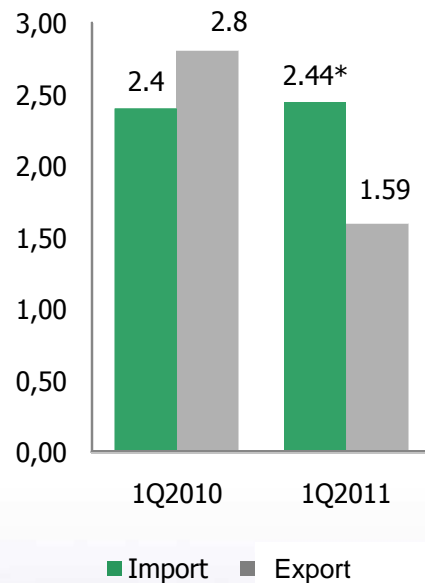
Domestic market demand...

- 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 January and February 2011 was PLN 268.66 per tonne, higher by 4.78% compared to the figure for 2010.
- 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 1Q2011 was 18.80 million tonnes and was higher by 2.62% than in the same period of 2010, the extraction of the steam coal obtained in 1Q2011 was 15.88 mln tonnes and was higher than in the same period of 2010 by 3.59%.
 - ✓ The stock of hard coal in mines as at the end of February 2011 stood at a level of 3,019.6 thousand tonnes and was lower by 2,245.9 thousand tonnes (42.6%) as compared to the end of February 2010. Stocks of steam coal fell by 2,325.3 thousand tonnes, while the reserves of coking coal increased by 79.4 thousand tonnes.
 - ✓ Sales of steam coal in 1Q 2011 amounted to 16.55 million tonnes, compared to 14.14 million tonnes in 1Q 2010, which is an increase of 17.04%.
 - ✓ An average unit cost of coal extraction in January – February 2011 in the hard coal sector was PLN 270.38 /tonne and was higher compared to the analogous period of 2010 by 5.7%

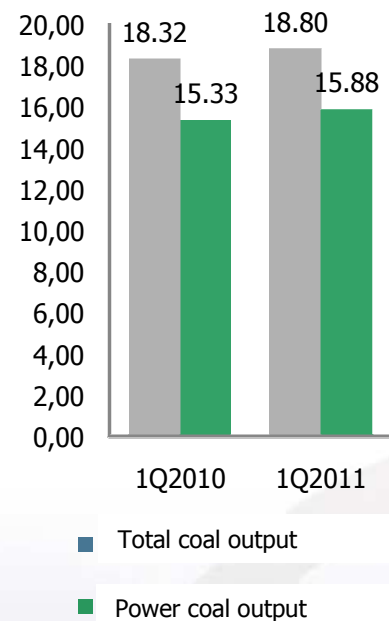


... creates environment for price increases

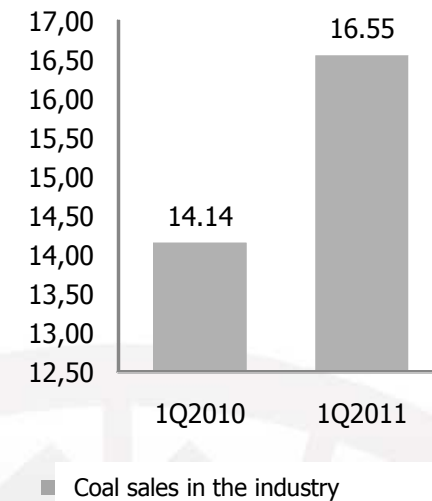
Import and export of coal (million of tonnes)



Coal output in the industry (million of tonnes)



Coal sales in the industry (million of tonnes)



* Data for imports in January - February 2011

Source: GUS (bez kopalni ZG „SILTECH” oraz LW „BOGDANKA” S.A.) - Informacja o funkcjonowaniu górnictwa węgla kamiennego - Ministry of Economy, Agencja Rozwoju Przemysłu

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Results for 1Q 2011 in line with the objectives

PLN (000')	1Q 2011	1Q 2010	Change [%]
Revenue	309 961	294 096	5.39
Gross profit	72 818	95 672	-23.89
EBITDA	77 906	95 261	-18.22
EBIT	43 698	62 164	-29.71
Net profit	35 958	52 770	-31.86
Earnings per share (PLN)*	1.05 zł	1.55 zł	-32.26

✓ The growth rate of operating income compared to 1Q 2010 (approx. 5%) is lower than the growth rate of operating expenses (approx. 14%).

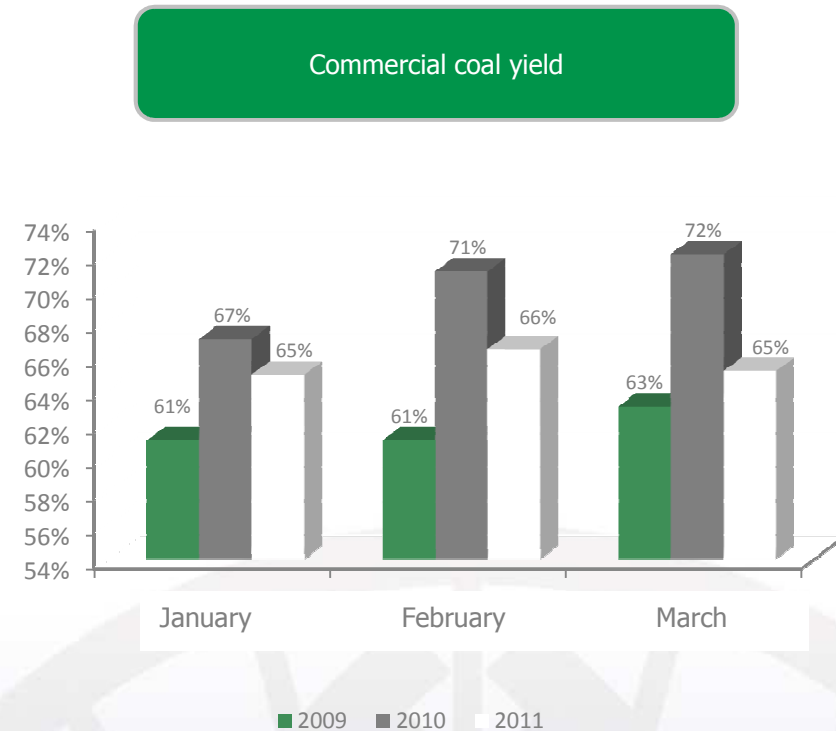
*On a stand alone basis

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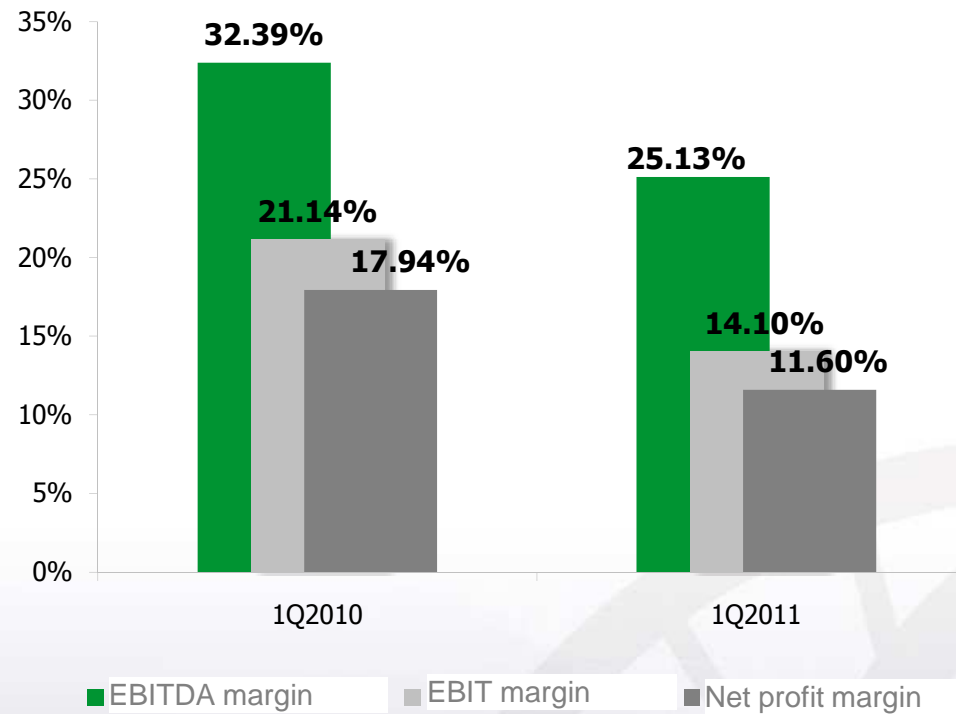


Commercial coal mining in 1Q 2011 due to the intensity of preparatory works...

- In 1Q 2011, commercial coal production fell by over 5% y-o-y, with an increase in gross output by more than 9%, which is the result of a greater intensity of preparatory works (20% more drifts were prepared) and the parameters of the currently mined seam being worse than expected.
- Simultaneously, the Company increased its sales volume by 5.39%, resulting in the levels of stock falling by 87.74% to 16,758.24 tonnes.



... which is reflected in profitability ratios



Source: Company

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Results for 1Q 2011 in line with the objectives



- ✓ Revenue growth of 5.39% is the consequence of an increase in commercial coal sales volume by 5.2%, with the average price of coal sold being slightly lower (in relation to 1Q 2010) (due to a change in the structure of sales).
- ✓ The increase in operating expenses is mainly a reflection of a 19% increase in the cost of sold products, goods and materials.
- ✓ The following costs had the effect of increasing the cost of sold products, goods and materials:
 - ❑ materials and energy consumption – increase by over 16%;
 - ❑ external services – increase by about 23%;
 - ❑ the above-mentioned group of costs are closely related to the direct activities of the Company. A major influence on the growth of the above cost groups was exerted by the greater range of preparatory and development works, where, in 1Q 2011, more than 1,184 metres of drifts were prepared, i.e. about 20.1% more y-o-y, which had a considerable impact on the decline in yield and quality of commercial coal.
 - ❑ benefits to employees by more than 9%;
 - ❑ the rise in the cost of employee benefits in the amount of 9.4% is a result of increase in the number of employees (by 145 people in the compared periods) as well as the negotiated average wage growth in the Company of 3.5% from the beginning of the year.
 - ❑ other costs, which increased by about 25%;
 - ❑ the rise in other costs is mainly due to increase in the cost of property insurance, which is a derivative of growth in both premium rates and the insured property (growing assets of the Stefanów Field).

The total increase in costs of the period, i.e. the difference between the sum of costs by type and the cost of manufacturing for the needs of the entity (1Q 2011 compared to 1Q 2010) was over PLN 18 million, i.e. equal to the difference in the level of operating profit.

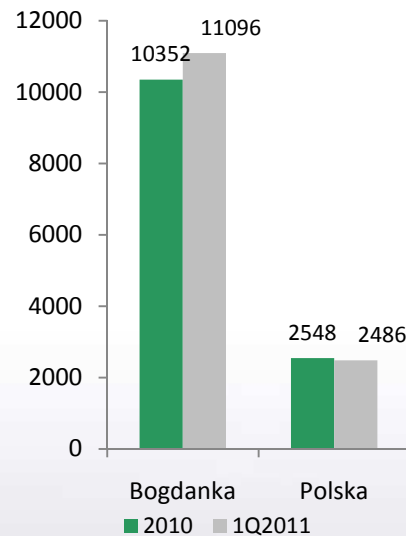
- ✓ The deepening decline in gross profit, compared to operating profit, is the result of a drop in revenue from financial activity, which is a derivative of the lower (by about 36%) financial income due to significant depletion of cash associated with the implemented development strategy.



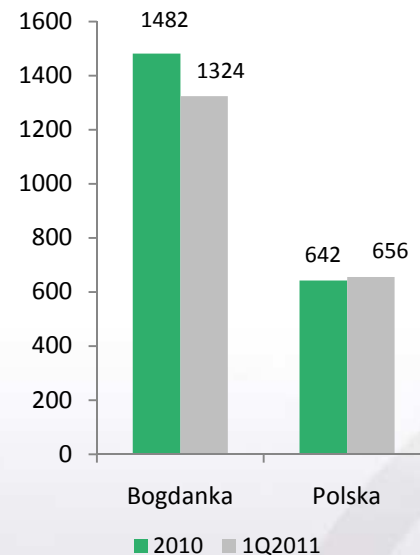
High operational indicators in the industry despite ongoing preparatory works

- **Much higher coal extraction efficiency than the average of the industry in Poland:**
 - general efficiency in 1Q2011: **244.95%** of the industry average (**249.86%** in 1Q2010)
 - underground efficiency in 1Q2011: **311.68%** of the industry average (**284.66 %** in 1Q2010)

Productivity (t/wall/day)



Efficiency (t/employee/year)



The high efficiency, compared to the rest of the industry, was a result of the following factors:

- use of modern technology solutions for coal mining
- fully (optimally) used modern technology park
- regular overhauls, inspections and checks (in accordance with the manufacturers' recommendations) of plant and machinery – the Company reported almost no downtime in the production of coal

Source: Company's calculations based on 'Informacja o funkcjonowaniu górnictwa węgla kamiennego' – Ministry of Economy, Agencja Rozwoju Przemysłu

'Poland' represents average for Polish mines excluding the Company



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In 1Q2011, 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
- The construction of conveyor belt bridge to transport output 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.



Thank You



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Profit and loss account

(PLN '000)	1Q2011	1Q2010	Change % [2011/2010]
Revenue	309 961	294 096	5.39
Cost of products, goods and materials sold, sales and administrative costs	265 126	223 777	18.48
Gross profit on sales	44 835	70 319	-36.24
Other revenue	1 628	2 013	-19.13
Other costs	285	1 566	-81.80
Operating profit (loss) net	-2 480	-8 602	-71.17
EBIT margin (%)	14.10%	21.14%	-33.30%
EBITDA	77 906	95 261	-18.22
EBITDA margin (%)	25.13%	32.39%	-22.41%
Financial income	3 963	6 238	-36.47
Financial costs	2 826	2 650	6.64
Profit before tax	44 835	65 798	-31.86
Income tax	8 877	13 028	-31.86
Net profit	35 958	52 770	-31.86
Net profit margin (%)	11.60%	17.94%	-35.34%
- Profit attributable to company's shareholders	35 860	52 957	-32.28

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Balance sheet

PLN (000')	1Q2011	1Q2010
Fixed assets, including:	2 289 501	2 163 972
Cash and cash equivalents	51 608	50 909
Current assets, including:	572 008	664 073
Cash and cash equivalents	357 601	472 101
Total assets	2 861 509	2 828 045
Current liabilities	399 970	403 139
Non-current liabilities	456 562	455 887
Total liabilities	856 532	859 026
Equity	2 004 977	1 969 019
Current loans	47 000	50 000
Non-current loans	200 000	200 000



Consolidated Cash Flow Statement



(⁰ 00 PLN)	1Q2011	1Q2010
Operating cash flow	77 562	203 816
Operating cash inflow	88 956	218 452
Interest paid	-2 799	-2 343
Income tax paid	-8 595	-12 293
Investing cash flow	-189 062	-241 872
Acquisition of tangible fixed assets	-192 095	-248 185
Acquisition of intangible fixed assets	-236	-
Inflow from the sale of tangible fixed assets	37	202
Interest received	3 931	6 721
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	-699	-610
Financing cash flow	-3 000	-
Loans and borrowings received	-	-
Loans and borrowings repaid	-3 000	-
Dividend paid to shareholders of the parent entity	-	-
Net increase / (decrease) in cash and cash equivalents	-114 500	-38 056
Cash and cash equivalents at beginning of period	472 101	681 659
Cash and cash equivalents at end of period	357 601	643 603



Sales structure

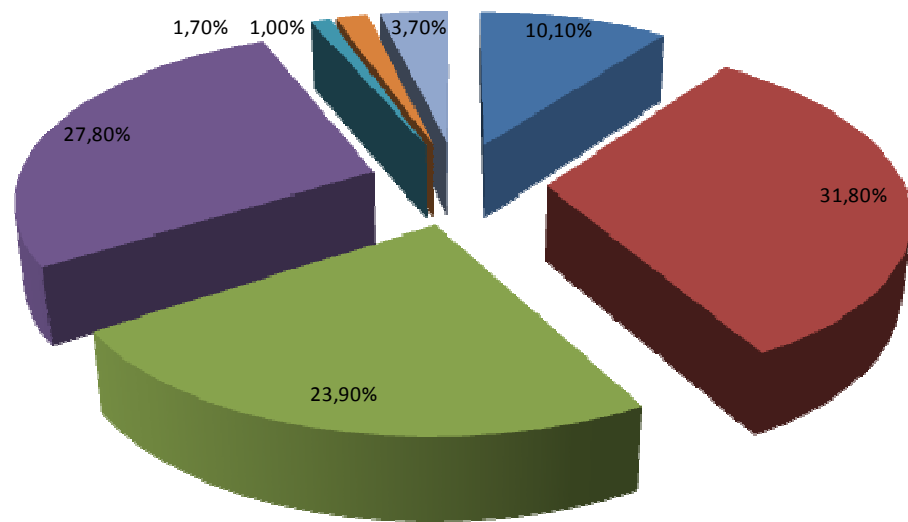
(PLN '000)	1Q2011	share	1Q2010	share
Coal sales	289 138	93.28%	284 890	96.87%
Sales of ceramics	2 039	0.66%	1 463	0.50%
Other activities	12 704	4.10%	5 844	1.99%
Sales of goods and materials	6 080	1.96%	1 899	0.64%
Total sales revenue	309 961	100.00%	294 096	100.00%

- 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., Zakłady Azotowe Puławy
- Decline in revenue from the sale of coal in total revenue is due to the additional revenue in other groups rather than to a decrease in the value of revenue from the sale of coal.

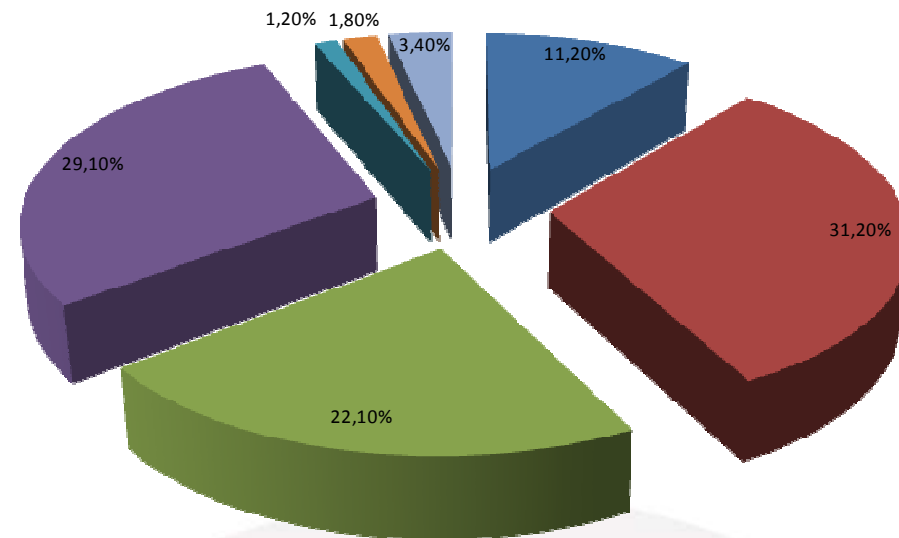


Structure of costs by type at Bogdanka

1Q2011



1Q2010



- Depreciation and amortisation
- External services
- Entertainment and advertising expenses
- Other expenses

- Materials and energy consumption
- Employee benefits
- Taxes, fees and charges

