



LUBELSKI WĘGIEL BOGDANKA S.A. GROUP

CONSOLIDATED QUARTERLY FINANCIAL STATEMENTS

for the first quarter of 2011

as at and for the period ended on 31 March 2011

Additional information to the consolidated quarterly report for the Lubelski Węgiel BOGDANKA S.A. Group and the abridged quarterly financial statements for the Parent Undertaking Lubelski Węgiel BOGDANKA S.A. for the first quarter of 2011.

1. General information

Composition of the Group and the object of the Group's business.

The Lubelski Węgiel Bogdanka S.A. Group (hereinafter referred to as the "Group") is composed of the following companies:

Parent Undertaking - Lubelski Węgiel Bogdanka S.A., with registered office in Bogdanka, 21-013 Puchaczów.

Lubelski Węgiel Bogdanka S.A. is a joint stock company, operating under the laws of Poland. The Company was created as a result of the restructuring of the state enterprise Kopalnia Węgla Kamiennego Bogdanka with registered office in Bogdanka, under the Act on the Privatisation of State Enterprises of 13 July 1990.

The deed of transformation of a state-owned enterprise into a company wholly owned by the State Treasury operating under the business name: Kopalnia Węgla Kamiennego Bogdanka S.A. was drawn up on 1 March 1993 (Rep. A No. 855/1993) by Notary Public Jacek Wojdyło maintaining a Notarial Office in Katowice at ul. Kopernika 26.

The Company was entered in Section B of the Commercial Register of the District Court in Lublin, VIII Commercial Division, under No. H - 2993, on the basis of a valid decision of that Court issued on 30 April 1993 (file ref. No. HB - 2993, Ns. Rej. H 669/93).

On 26 March 2001, Lubelski Węgiel Bogdanka Spółka Akcyjna was registered in the Register of Entrepreneurs maintained by the District Court in Lublin, XI Division of the National Court Register, under KRS No. 0000004549.

On 22 June 2009, pursuant to the decision of the Polish Financial Supervision Authority, Series A and C Shares and Rights to Series C Shares were admitted to public trading on the WSE main market. On 25 June 2009, the Company made its debut on the WSE by introducing Rights to Series C Shares to trading. The share capital of the Company was increased by means of an issue of 11 million shares with a value of PLN 55 million and currently amounts to PLN 170,068,000 (PLN 301,158,000 after hyperinflation revaluation). The increase in the share capital was registered on 10 July 2009 by the District Court in Lublin, XI Commercial Division of the National Court Register. As a result of transactions of disposal of shares effected in 2010 by the State Treasury, represented by the Minister of the State Treasury as well as transfer of shares on the basis of contracts on a free-of-charge disposal of shares for the benefit of eligible employees under the Act on Commercialisation and Privatisation, Lubelski Węgiel BOGDANKA Spółka Akcyjna has lost the status of the Company owned by the State Treasury.

The Company's core business activities, pursuant to the European Classification of Activity (EKD 0510Z), are mining and agglomeration of hard coal.

The subsidiary - Łęczyńska Energetyka Sp. z o.o., with registered office in Bogdanka, 21-013, Puchaczów.

As at 31 March 2011, the Parent Undertaking held 88.70% of share in capital of its subsidiary Łęczyńska Energetyka Sp. z o.o.

Łęczyńska Energetyka Sp. z o.o. provides services to mines involving supplying heat energy and conducts water/wastewater management. The company also conducts activities involving the construction and refurbishment of heat-generating, water supply and sewage disposal installations. The company prepares its balance sheet as at 31 December.

The Group's associated undertakings are:

The associated undertaking - EKSPERT Sp. z o.o. with registered office in Bogdanka, 21-013, Puchaczów.

As at 31 March 2011, Łęczyńska Energetyka Sp. z o.o. held 50% of shares in the capital of the associated undertaking EKSPERT Sp. z o.o, amounting to PLN 50,000. A revaluation write-off was created for the impairment of value of shares held as at 31 March 2011. The Company is currently in the course of obtaining a corporate approval to commence a process of liquidation or sale.

2. Principles applied in preparing the consolidated quarterly report and the quarterly abridged financial statements of Lubelski Węgiel Bogdanka S.A.

The financial statements have been prepared in compliance with the provisions of the International Accounting Standards and the International Financial Reporting Standards, as well as the Regulation of the Polish Council of Ministers of 19 February 2009 on current and periodic information furnished by the issuers of securities (Dz. U. dated 28 February 2009).

Data for the consolidated quarterly report and the abridged quarterly financial statements of Lubelski Węgiel Bogdanka S.A. has been prepared in compliance with the same accounting principles and calculation methods as in the previous annual financial statements.

3. Brief description of achievements and failures of the issuer during the reporting period, along with the list of the related key events

With regard to the conducted activities under analysis, the following events took place at the Parent Undertaking in the first quarter of 2011:

- On 4 February 2011 an agreement was concluded with Korporacja Gwarecka S.A. concerning the performance of works at the Company connected with production, extraction, mechanical processing, quality control and shipping of hard coal, conducting preparatory works, maintenance and renovation works on Saturdays, Sundays and holidays which are official holidays from 1 February 2011 to 31 January 2013. The maximum net value of the Agreement amounts to approximately PLN 319 million and it will depend on the scope of ordered and performed services;
- The Company's Supervisory Board appointed Mr Lech Tor for the seventh term of office of the Company's Management Board. From 3 March 2011, Mr Lech Tor performs the function of the Management Board member elected by the employees.

4. Description of factors and events, in particular of untypical nature, with a significant bearing on the financial results

In the first quarter of 2011 no untypical events occurred that would have a significant bearing on the financial results achieved both by the Lubelski Węgiel Bogdanka S.A. Group and its Parent Undertaking.

Lubelski Węgiel Bogdanka S.A. Group

I quarter of 2011

In the first quarter of 2011 the consolidated net revenue on sales of products, goods and materials achieved the level of PLN 309,961,000 while in the comparable period of 2010 the consolidated revenue on sales of products, goods and materials amounted to PLN 294,096,000.

The consolidated operating profit in Q1 2011 amounted to PLN 43,698,000.

As a result of achieving the operating profit, in the first quarter of 2011 net profit attributable to the shareholders of the Parent Undertaking was recorded in the amount of PLN 35,860,000, while in the comparable period of 2010 the Group recorded net profit attributable to the shareholders of the Parent Undertaking of PLN 52,957,000.

Parent Undertaking - Lubelski Węgiel Bogdanka S.A.

I quarter of 2011

In the first quarter of 2011 the net revenue on sales of products, goods and materials achieved the level of PLN 304,678,000, while in the comparable period of 2010 the item amounted to PLN 292,019,000, which represents an increase in the net revenue in 2011 by 4.33%.

The operating profit in Q1 2011 amounted to PLN 42,900,000.

The net profit for the first quarter of 2011 amounted to PLN 35,062,000, while in the comparable period of the previous year the Company recorded the net profit of PLN 51,044,000.

Lubelski Węgiel Bogdanka S.A. Group

As at 31 March 2011, the balance of total provisions for other liabilities and charges and the total amount of retirement benefits and long-service awards payable in the member companies of the Lubelski Węgiel Bogdanka S.A. Group amounted to PLN 294,000,000, which represents an increase by PLN 5,706,000 in comparison to the balance as at 31 December 2010.

For the first quarter of 2011, deferred income tax liability occurred in the amount of PLN 51,439,000, which represents a decrease by PLN 3,293,000 in comparison to the balance of this item as at 31 December 2010.

Parent Undertaking - Lubelski Węgiel Bogdanka S.A.

The Parent Undertaking Lubelski Węgiel Bogdanka S.A. recorded as at 31 March 2011 the balance of provisions for other liabilities and charges and the retirement benefits and long service awards payable in the amount of PLN 293,192,000, which represents an increase by PLN 5,682,000 in comparison to the balance as at 31 December 2010.

As at 31 March 2011, deferred income tax liability occurred in the amount of PLN 53,166,000, which represents a decrease by PLN 3,212,000 in comparison to the balance of this item as at 31 December 2010.

5. Information regarding seasonal or cyclical character of the Issuer's activity in the discussed period

The production is not seasonal, whereas seasonal character of sales can be noticed in the case of retail sales at a point of coal sale. Sales for individual customers account for 0.82% of the total sales. This has no significant effect on operating and financing activity of the Group.

6. Information about the issue, redemption and repayment of debt and equity securities

In the first quarter of 2011, the Parent Undertaking performed no transactions involving issue, redemption or repayment of debt and equity securities.

7. Information concerning the dividend paid (or declared), in aggregate and calculated per share, divided into ordinary and preferred shares

In the first quarter of 2011 and in the same period of 2010, the Parent Undertaking did not pay any dividend to Shareholders.

8. Events after the balance-sheet date not disclosed in the consolidated financial statements

The presented results for the first quarter of 2011 refer to the events, identified by the Group, that occurred in this period. After the balance-sheet date no events affecting the financial results occurred that would not be disclosed in the Consolidated Quarterly Report.

9. Information on changes in contingent liabilities or contingent assets, occurring following the end of the previous financial year

Since the previous consolidated report the balance of contingent liabilities has not changed significantly.

10. Transactions of the Lubelski Węgiel Bogdanka S.A. Group with related entities

Transactions of the Parent Undertaking with related entities

All transactions with the subsidiary are concluded as part of regular operations of the Parent Undertaking and are performed on an arms' length basis.

The revenue of the Parent Undertaking resulting from the cooperation with its subsidiary, Łęczyńska Energetyka, primarily refer to the sale of coal and brick as well as the payments for lease of premises, telecommunications services and re-invoicing the cost of electricity.

Purchases primarily include the purchase of heat power, potable water and the maintenance services for sewage installations, central heating, tailwater and water grid.

In the reporting periods ending on 31 March 2011 and 31 March 2010, the value of tradeover on account of purchase with the subsidiary "Łęczyńska Energetyka" Sp. z o.o. in Bogdanka and the total liabilities of the Parent Undertaking towards that related entity for subsequent balance-sheet dates were as follows:

	31 Mar. 2011	31 Dec. 2010	31 Mar. 2010
Purchases in period	2,933	10,959	4,767
Total liabilities at end of period including VAT	935	1,281	1,270

In the reporting periods ending on 31 March 2011 and 31 March 2010, the value of tradeover on account of sale with the subsidiary "Łęczyńska Energetyka" Sp. z o.o. in Bogdanka and the total accounts receivable of the Parent Undertaking towards that related entity for subsequent balance-sheet dates were as follows:

	31 Mar. 2011	31 Dec. 2010	31 Mar. 2010
Sales in period	3,164	10,795	4,856
Total receivables at end of period including VAT	1,950	2,246	1,240

11. Reporting by segments: industry and location

The Management Board does not apply division into segments for managing the Group since the Group mainly focuses its activities on the production and sale of coal.

Consolidated Statement of Financial Position (Balance Sheet)

	31 Mar. 2011	31 Dec. 2010
Assets		
Fixed assets		
Tangible fixed assets	2,226,746	2,101,245
Intangible fixed assets	10,780	10,955
Investments in associated undertakings	-	18
Trade debtors and other receivables	367	845
Cash and cash equivalents	51,608	50,909
	<u>2,289,501</u>	<u>2,163,972</u>
Current assets		
Stocks	47,284	60,810
Trade debtors and other receivables	166,354	126,858
Overpaid income tax	769	4,304
Cash and cash equivalents	357,601	472,101
	<u>572,008</u>	<u>664,073</u>
TOTAL ASSETS	<u>2,861,509</u>	<u>2,828,045</u>
Shareholders' equity		
Shareholders' equity attributable to shareholders of the Parent Undertaking		
Ordinary shares	301,158	301,158
Other capitals	1,081,298	1,081,298
Retained profits	613,169	577,309
	<u>1,995,625</u>	<u>1,959,765</u>
Non-controlling interests	9,352	9,254
Total shareholders' equity	<u>2,004,977</u>	<u>1,969,019</u>
Liabilities		
Long-term liabilities		
Loans and borrowings	200,000	200,000
Deferred income tax liabilities	51,439	54,732
Employee benefits liabilities	112,155	108,582
Provisions for other liabilities and charges	67,314	67,314
Grants	19,451	19,451
Trade creditors and other liabilities	6,203	5,808
	<u>456,562</u>	<u>455,887</u>
Short-term liabilities		
Loans and borrowings	47,000	50,000
Employee benefits liabilities	27,456	29,709
Provisions for other liabilities and charges	87,075	82,689
Trade creditors and other liabilities	238,439	240,741
	<u>399,970</u>	<u>403,139</u>
Total liabilities	<u>856,532</u>	<u>859,026</u>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	<u>2,861,509</u>	<u>2,828,045</u>

Consolidated Statement of Comprehensive Income

	Q1 2011 period from 1 Jan. 2011 to 31 Mar. 2011	Q1 2010 period from 1 Jan. 2010 to 31 Mar. 2010
Revenue on sales	309,961	294,096
Cost of products, goods and materials sold	(237,143)	(198,424)
Gross profit	72,818	95,672
Selling costs	(9,619)	(8,917)
Administrative costs	(18,364)	(16,436)
Other income	1,628	2,013
Other expenses	(285)	(1,566)
Other losses - net	(2,480)	(8,602)
Operating profit	43,698	62,164
Financial income	3,963	6,238
Financial expenses	(2,826)	(2,650)
Net financial income	1,137	3,588
Share in profits of associated undertakings	-	46
Profit before taxation	44,835	65,798
Income tax	(8,877)	(13,028)
Net profit for the financial year including:	35,958	52,770
- attributable to shareholders of the Parent Undertaking	35,860	52,957
- attributable to non-controlling interests	98	(187)
Total income for the period including:	35,958	52,770
- attributable to shareholders of the Parent Undertaking	35,860	52,957
- attributable to non-controlling interests	98	(187)
Earnings per share attributable to the shareholders of the Parent Undertaking during the year (in PLN per share)		
- basic	1.05	1.55
- diluted	1.05	1.55

Consolidated Statement of Changes in Shareholders' Equity

	Attributable to shareholders of the Parent Undertaking			Total	Non- controlling interests	Total shareholders' equity
	Ordinary shares	Other capitals	Retained profits			
As at 1 January 2010	301,158	890,456	538,340	1,729,954	8,943	1,738,897
Total income for the accounting period	-	-	52,957	52,957	(187)	52,770
As of 31 March 2010	301,158	890,456	591,297	1,782,911	8,756	1,791,667
As at 1 January 2011	301,158	1,081,298	577,309	1,959,765	9,254	1,969,019
Total income for the accounting period	-	-	35,860	35,860	98	35,958
As of 31 March 2011	301,158	1,081,298	613,169	1,995,625	9,352	2,004,977

Consolidated Cash Flow Statement

	For Q1 ended on 31 March	
	2011	2010
Operating cash flow		
Operating cash inflow	88,956	218.452
Interest paid	(2,799)	(2.343)
Income tax paid	(8,595)	(12.293)
Net operating cash flow	<u>77,562</u>	<u>203.816</u>
Investing cash flow		
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)
Net investing cash flow	<u>(189,062)</u>	<u>(241.872)</u>
Financing cash flow		
Loans and borrowings repaid	(3,000)	-
Net financing cash flow	<u>(3,000)</u>	<u>-</u>
Net 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	<u>357.601</u>	<u>643,603</u>

Statement of Financial Position (Balance Sheet) of Lubelski Węgiel Bogdanka S.A.

	31 Mar. 2011	31 Dec. 2010
Assets		
Fixed assets		
Tangible fixed assets	2,179,367	2,054,412
Intangible fixed assets	10,745	10,917
Long-term investments	73,341	73,341
Cash and cash equivalents	51,608	50,909
	<u>2,315,061</u>	<u>2,189,579</u>
Current assets		
Stocks	44,950	58,463
Trade debtors and other receivables	161,085	120,364
Overpaid income tax	763	4,456
Cash and cash equivalents	324,669	439,314
	<u>531,467</u>	<u>622,597</u>
TOTAL ASSETS	<u>2,846,528</u>	<u>2,812,176</u>
Shareholders' equity		
Ordinary shares	301,158	301,158
Other capitals	1,086,588	1,086,588
Retained profits	605,195	570,133
Total shareholders' equity	<u>1,992,941</u>	<u>1,957,879</u>
Liabilities		
Long-term liabilities		
Loans and borrowings	200,000	200,000
Deferred income tax liabilities	53,166	56,378
Employee benefits liabilities	111,346	107,798
Provisions for other liabilities and charges	67,314	67,314
Grants	19,451	19,451
Trade creditors and other liabilities	6,204	5,808
	<u>457,481</u>	<u>456,749</u>
Short-term liabilities		
Loans and borrowings	47,000	50,000
Employee benefits liabilities	27,456	29,709
Provisions for other liabilities and charges	87,076	82,689
Trade creditors and other liabilities	234,574	235,150
	<u>396,106</u>	<u>397,548</u>
Total liabilities	<u>853,587</u>	<u>854,297</u>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	<u>2,846,528</u>	<u>2,812,176</u>

Statement of Comprehensive Income of Lubelski Węgiel BOGDANKA S.A.

	Q1 2011 period from 1 Jan. 2011 to 31 Mar. 2011	Q1 2010 period from 1 Jan. 2010 to 31 Mar. 2010
Revenue on sales	304,678	292,019
Cost of products, goods and materials sold	(233,055)	(198,416)
Gross profit	71,623	93,603
Selling costs	(9,688)	(8,989)
Administrative costs	(17,757)	(16,132)
Other income	1,457	1,853
Other expenses	(285)	(1,566)
Other profits/(losses) - net	(2,450)	(8,618)
Operating profit	42,900	60,151
Financial income	3,644	6,144
Financial expenses	(2,826)	(2,649)
Net financial income/expenses	818	3,495
Profit before taxation	43,718	63,646
Income tax	(8,656)	(12,602)
Net profit for the period	35,062	51,044
Total income for the period	35,062	51,044
Earnings per share attributable to the Company's shareholders during the year (in PLN per share)		
- basic	1.03	1.50
- diluted	1.03	1.50

Statement of Changes in Shareholders' Equity of Lubelski Węgiel BOGDANKA S.A.

	Ordinary shares	Other capitals	Retained profits	Total shareholders' equity
As at 1 January 2010	301,158	894,535	534,824	1,730,517
Total income for the accounting period	-	-	51,044	51,044
As of 31 March 2010	301,158	894,535	585,868	1,781,561
As at 1 January 2011	301,158	1,086,588	570,133	1,957,879
Total income for the accounting period	-	-	35,062	35,062
As of 31 March 2011	301,158	1,086,588	605,195	1,992,941

Cash Flow Statement of Lubelski Węgiel BOGDANKA S.A.

	For Q1 ended on 31 March	
	2011	2010
Operating cash flow		
Operating cash inflow	85,420	215,647
Interest paid	(2,799)	(2,343)
Income tax paid	(8,176)	(11,894)
Net operating cash flow	<u>74,445</u>	<u>201,410</u>
Investing cash flow		
Acquisition of tangible fixed assets	(188,812)	(247,599)
Acquisition of intangible fixed assets	(228)	-
Inflow from the sale of tangible fixed assets	37	202
Interest received	3,612	6,627
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	(699)	(610)
Net investing cash flow	<u>(186,090)</u>	<u>(241,380)</u>
Financing cash flow		
Loans and borrowings repaid	(3,000)	-
Net financing cash flow	<u>(3,000)</u>	<u>-</u>
Decrease in cash and cash equivalents	(114,645)	(39,970)
Cash and cash equivalents at beginning of period	439,314	640,432
Cash and cash equivalents at end of period	<u>324,669</u>	<u>600,462</u>

12. Approval of the financial statements

The Management Board of Lubelski Węgiel Bogdanka S.A. hereby declares that as at 10 May 2011 it approves these consolidated quarterly report and the abridged consolidated quarterly financial statements for the first quarter for the period between 1 January 2011 and 31 March 2011.

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD

Name and surname	Position & Function	Date	Signature
Mirosław Taras	President of the Board		
Krystyna Borkowska	Vice-President of the Board for Economic and Financial Affairs – Chief Accountant		
Zbigniew Stopa	Vice-President of the Board for Technical Affairs		
Waldemar Bernaciak	Vice-President of the Board for Trade and Logistics		
Lech Tor	Member of the Board elected by employees		