



**DIRECTORS' REPORT ON THE OPERATIONS OF
LUBELSKI WĘGIEL BOGDANKA CAPITAL GROUP**

**for the third quarter of 2009 ended on 30 September
2009**

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1. BASIC INFORMATION ON LUBELSKI WĘGIEL BOGDANKA CAPITAL GROUP

1.1 Structure of Lubelski Węgiel BOGDANKA Capital Group

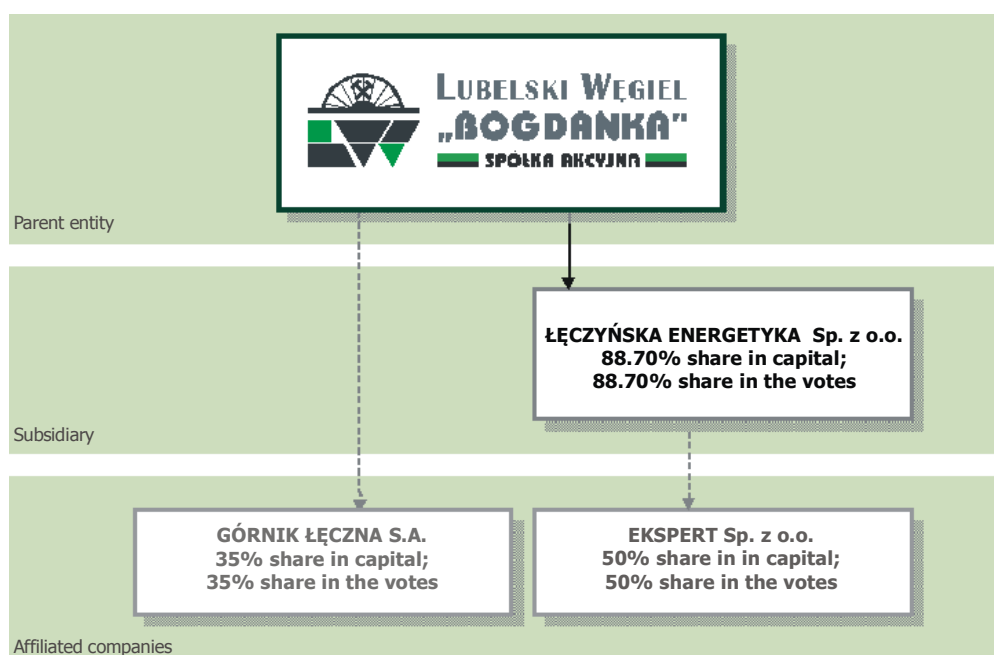
As at 30 September 2009, Lubelski Węgiel BOGDANKA Capital Group (hereinafter referred to as the "Group", "LW BOGDANKA Capital Group", "LW BOGDANKA CG" or "LW BOGDANKA Group") consists of Lubelski Węgiel BOGDANKA S.A. as the parent company and ŁĘCZYŃSKA ENERGETYKA Sp. z o.o. as the subsidiary.

The following companies are affiliated to the Group:

- GÓRNIK ŁĘCZNA S.A., in which LW BOGDANKA S.A. holds 35% of the shares in the share capital;
- EKSPERT Sp. z o.o. in which Łęczyńska Energetyka Sp. z o.o. holds 50% of the shares in the share capital.

As at the date of submitting this Report (10 November 2009), LW BOGDANKA S.A. also held 24.41% of the shares of the bankrupt company Kolejowe Zakłady Maszyn KOLZAM S.A., with a total par value of PLN 168,050.00. The ownership title to the shares was transferred to the Company as security for settlements for performing transportation services. That company has not been included in the consolidation.

Structure of LW BOGDANKA Capital Group (as at 30 September 2009)



As at the date of submitting this Report, no changes have taken place in LW BOGDANKA Capital Group.

1.2 Information on the entities of Lubelski Węgiel BOGDANKA Capital Group subject to consolidation

The subsidiary ŁĘCZYŃSKA ENERGETYKA Sp. z o.o. was included in the consolidated abridged quarterly financial statements of the LW BOGDANKA Capital Group for the third quarter of 2009 (the "consolidated abridged quarterly financial statements") by the full consolidation method.

The affiliated undertakings EKSPERT Sp. z o.o. and GÓRNIK ŁĘCZNA S.A. were included in the consolidated quarterly financial statements of the LW BOGDANKA Capital Group by the equity method.

1.2.1 Information on the parent company of the Lubelski Węgiel BOGDANKA Capital Group:

The parent company of the LW BOGDANKA Capital Group:

Lubelski Węgiel BOGDANKA Spółka Akcyjna (hereinafter referred to as "LW BOGDANKA S.A.", the "Company", "Lubelski Węgiel BOGDANKA S.A." or "LW BOGDANKA").

Address: Bogdanka, 21-013 Puchaczów, Lublin Province

Tel.: (81) 462 51 00, (81) 462 51 01

Fax: (81) 462 51 91

Website: www.lw.com.pl

e-mail: bogdanka@lw.com.pl

industry identification number (*REGON*): 430309210

tax registration number (*NIP*): 713-000-57-84

Business activities

The Company's core business activities involve extracting and selling hard coal. According to the Company's statute, the business activities of Lubelski Węgiel BOGDANKA S.A. are:

- a. agriculture, forestry, hunting and fishery (section A);
- b. mining and production (section B);
- c. industrial processing (section C);
- d. producing and supply of electricity, gas, steam, hot water and air for air-conditioning installations (section D);
- e. water supply; liquid and solid waste management; activities related to reclamation (section E);
- f. construction (section F);
- g. wholesale, retail sale and repair of motor vehicles, including motorcycles (section G);
- h. transport and warehouse management (section H);
- i. activities related to lodging and catering (section I);
- j. information and communications (section J);
- k. financial and insurance (section K);
- l. real estate activities (section L);
- m. professional, scientific and technical activities (section M);
- n. administration and support activities (section N);
- o. education (section P).

Supplementary activities - LW BOGDANKA S.A.

LW BOGDANKA S.A.'s supplementary activities include manufacturing construction materials (mainly ceramic façade brick) in its own production plant, the EkoLINKIER Construction Ceramics Plant, as part of the recycling of waste rock obtained in the process of extracting hard coal.

1.2.2 Information on the subsidiary and affiliated undertakings

Direct subsidiary:

ŁĘCZYŃSKA ENERGETYKA Sp. z o.o.

Address: Bogdanka, 21-013 Puchaczów, Lublin Province

Tel.: (81) 443 11 02, (81) 462 55 53

Fax: (81) 443 11 01

Website: www.lebog.com.pl

e-mail: biuro@lebog.com.pl

industry identification number (*REGON*): 004164490

tax registration number (*NIP*): 713-020-71-92

Share capital (as at 30 September 2009): PLN 82,677,000, divided into 82,677 shares at PLN 1,000

Shareholding structure:

- 88.697% LW BOGDANKA S.A.;
- 11.297% Łęczna Municipality;
- 0.006% Puchaczów Municipality.

Łęczyńska Energetyka Sp. z o.o.'s business activities involve producing heat energy, refurbishing, maintaining and assembling power production equipment, and producing drinking and industrial water. The company also conducts activities involving the construction and refurbishment of heat-generating, water supply and sewage disposal installations.

Łęczyńska Energetyka Sp. z o.o. provides services to mines involving supplying heat energy and conducts water/wastewater management.

Affiliated undertakings

GÓRNIK ŁĘCZNA S.A.

Address: ul. Aleja Jana Pawła II 13, 21-010 Łęczna, Lublin Province

Tel.: (81) 752 17 40 ext. 10

Fax: (81) 752 17 40 ext. 10

Website: www.gornik.leczna.pl

industry identification number (*REGON*): 060148990

tax registration number (*NIP*): 505-004-77-27

Share capital (as at 30 September 2009): PLN 1,200,000, divided into 1,200 shares at PLN 1,000.

LW BOGDANKA S.A.'s share in the share capital and votes at the General Shareholders Meeting: 35.00%

GÓRNIK ŁĘCZNA S.A.'s business activities include activities associated with sport, services, education and industrial processing.

EKSPERT Sp. z o.o.

Address: Bogdanka, 21-013 Puchaczów, Lublin Province

Tel.: (81) 462 20 62

Fax: (81) 462 20 62

Website: -

e-mail: wkekspert@wp.pl

industry identification number (*REGON*): 432693862

tax registration number (*NIP*): 505-000-15-99

Share capital (as at 30 September 2009): PLN 50,000, divided into 100 shares at PLN 500.

Łęczyńska Energetyka Sp. z o.o.'s share in the share capital and votes at the Shareholders Meeting: 50.00%.

EKSPERT Sp. z o.o.'s business activities involve manufacturing metal constructions and activities involving preparing technical and structural/technological documentation.

1.3 Changes in the structure of Lubelski Węgiel BOGDANKA Capital Group and in organisational and capital affiliations of the parent company with other entities, and the effects of changes in the structure of LW BOGDANKA S.A., including as a result of merging business units, the takeover or sale of units of LW BOGDANKA Capital Group, long-term investments, and the division, restructuring and discontinuation of activities

In the third quarter of 2009 there were no changes in the structure of LW BOGDANKA Capital Group or in the Group's organisational and capital affiliations with other entities. In that period there were also no changes in the structure of LW BOGDANKA Capital Group due to the merger of business units, the takeover or sale of units of the Group, long-term investments or the division, restructuring or discontinuation of activities.

As at the date of submitting this Report, no changes have occurred in LW BOGDANKA Capital Group.

2. OWNERSHIP CHANGES IN LW BOGDANKA S.A. IN THE THIRD QUARTER OF 2009

2.1 Share Capital of LW Bogdanka S.A.

As at the date of submitting this Report, due to the registration by the District Court in Lublin, XI Commercial Division of the National Court Register, on 10 July 2009, of an increase in the Company's share capital by way of the public offer of series C shares, the Company's share capital amounts to PLN 170,067,950, divided into 34,013,590 shares with a par value of PLN 5 (five zlotys) per share, including:

- a) 19,770,590 (nineteen million, seven hundred and seventy thousand, five hundred and ninety) series A bearer shares;
- b) 3,243,000 (three million, two hundred and forty-three thousand) series B registered shares;
- c) 11,000,000 (eleven million) series C registered shares.

2.2 Introduction of series C shares to trading on the WSE

The subject of the first public offer carried out by the Company in June 2009 was 11,000,000 series C shares, which were offered to and acquired by investors in the following tranches:

- Individual Investors: 1,670,000 series C shares;
- Institutional Investors: 9,000,000 series C shares;
- Employee Investors: 330,000 series C shares.

Subscriptions for series C shares of the Company were carried out from 1 June – 18 June 2009.

The first quotation of rights to shares of the Company on the Warsaw Stock Exchange (the "WSE") took place on 25 June 2009.

On 17 July 2009, the Management Board of Giełda Papierów Wartościowych w Warszawie S.A. (the Warsaw Stock Exchange) adopted a resolution designating 21 July 2009 as the date of the last quotation of 11,000,000 rights to series C ordinary bearer shares of LW BOGDANKA S.A.

The Management Board of the WSE also adopted a resolution on introducing to trading on the main market of the stock exchange, by the normal procedure, the following ordinary bearer shares of LW BOGDANKA S.A.:

- a) 19,770,590 series A shares, marked with the code "PLLWBGD00016" by the National Depository of Securities (the "NDS");
- b) 11,000,000 series C shares, on the condition that on 22 July 2009 the NDS would register the series C shares and mark them with the code "PLLWBGD00016".

The registration of 11,000,000 series C shares of the Company in the National Depository of Securities took place on 22 July 2009.

The first quotation of the series C shares on the WSE occurred on 22 July 2009.

2.3 Shareholders holding at least 5% of the total number of votes at the General Shareholders Meeting (the "GSM"), either directly or indirectly through subsidiaries, as at the date of submitting the quarterly report, and changes in the ownership structure of substantial shareholdings in the period from the publication of the interim report

Table: The shareholding structure of LW BOGDANKA S.A. as at 31 August 2009

Shareholder	Number of shares	Number of votes at the GSM	Share in the share capital (%)*
State Treasury	22,279,870	22,279,870	65.50
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK**	2,141,231	2,141,231	6.30
Others	9,592,489	9,592,489	28.20
Total	34,013,590	34,013,590	100.00%

* The share in the share capital corresponds to the share in the total number of votes at the GSM.

**According to the notice received on 6 July 2009, described in Current Report of LW BOGDANKA S.A. No. 11/2009 – on 6 July 2009, the Management Board of the Company was notified by Aviva Powszechne Towarzystwo Emerytalne Aviva BZ WBK S.A. of a change in its holding of shares of LW BOGDANKA S.A. due to its purchases of rights to shares of the Company. After the conclusion and settlement of the above transactions, as at 30 June 2009, Aviva OFE held 2,141,231 rights to shares of the Company which, after being converted into shares, constitute 6.3% of its share capital carrying an entitlement to 2,141,231 votes at the General Shareholders Meeting which, after conversion, constitutes 6.3% of the total number of votes.

In comparison to the situation as at the date of submitting the interim report (i.e. 31 August 2009), the shareholding structure as at the date of submitting this report, according to the Company's knowledge, remains unchanged.

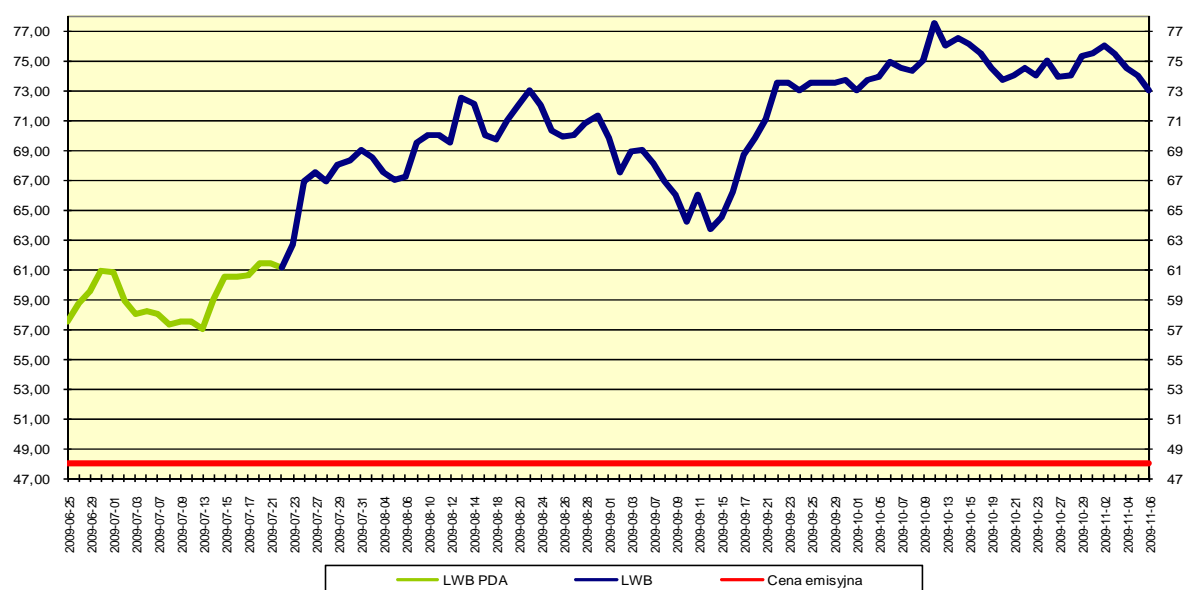
2.4 Table of holdings of shares of LW BOGDANKA S.A. or entitlements to them (options) by the management and supervisory personnel of LW BOGDANKA S.A., as at the date of submitting the quarterly report, and changes in shareholdings in the period from submitting of the interim report, separately for each person

Table: Number of shares held by members of the Management Board and Supervisory Board of LW BOGDANKA S.A.

	Number of shares as at the date of submitting the interim report (31 August 2009)	Number of shares as at the date of submitting the quarterly report (10 November 2009)
Management Board		
Mirosław Taras	1,713	1,713
Krystyna Borkowska	1,299	1,299
Zbigniew Stopa	2,810	2,810
Waldemar Bernaciak	2,162	2,162
Janusz Chmielewski	6,000	6,000
Supervisory Board		
Krzysztof Maślankowski	0	0
Grażyna Dec	0	0
Henryk Czapla	0	0
Wiesław Różycki	0	0
Bogdan Kowal	2,025	2,025
Adam Partyka	270	270
Total	16,279	16,279

2.5 Price of rights to shares/shares of the Company from the date of the debut on the Warsaw Stock Exchange

Diagram – Closing prices of shares of LW Bogdanka S.A. from the launch of quotation (i.e. 25 June 2009) to 6 November 2009



[LWB Rgts to shares; LWB; Issue price]

3. PRINCIPLES OF DRAWING UP THE CONSOLIDATED ABRIDGED QUARTERLY FINANCIAL STATEMENTS OF GROUP

The Company draws up its financial statements on the basis of the International Financial Reporting Standards. Those standards, referred to jointly as the International Financial Reporting Standards (IFRS), also include the International Accounting Standards (IAS) and Interpretations issued by the Standing Interpretations Committee and the International Financial Reporting Interpretations Committee.

The consolidated abridged quarterly financial statements of LW BOGDANKA Capital Group for the third quarter of 2009 were drawn up in accordance with International Accounting Standard 34 – "Interim Financial Reporting", applying the same accounting standards for the current and comparable period.

The Group's consolidated abridged quarterly financial statements were drawn up in accordance with the historical cost principle, taking into account a valuation at fair value of certain tangible fixed assets in connection with the adoption of fair value as a presumed cost, which was carried out on the date of the transition to the IFRS, i.e. 1 January 2005.

Drawing up the consolidated abridged quarterly financial statements in accordance with IAS 34 requires the use of certain significant accounting estimates. It also requires that the management board exercise its own judgement when applying the accounting principles adopted by the Group. The main estimates and judgements have not changed since the publication of the annual consolidated financial statements for 2008.

4. ANALYSIS OF AND INFORMATION ON THE BASIC FINANCIAL VALUES DISCLOSED IN THE CONSOLIDATED ABRIDGED QUARTERLY FINANCIAL STATEMENTS OF THE LW BOGDANKA CAPITAL GROUP FOR THE NINE-MONTH PERIOD ENDED ON 30 SEPTEMBER 2009

All financial data and indicators have been presented in these Financial Statements on the basis of the consolidated quarterly statements, drawn up according to the International Financial Reporting Standards approved by the European Union.

4.1 Selected financial information

Table: Selected financial information of the LW BOGDANKA Group (in PLN '000 unless indicated otherwise)

Item	Q3 2009	Q3 2008	Change	3Qs of 2009	3Qs of 2008	Change
Revenue on sales	329,877	279,329	18.10%	850,672	773,255	10.01%
Gross profit	143,234	98,809	44.96%	302,854	216,577	39.84%
EBITDA*	145,759	129,507	12.55%	319,454	266,652	19.80%
EBIT (Operating profit)	108,756	93,800	15.94%	213,302	163,897	30.14%
Pre-tax profit	113,207	93,818	20.67%	217,440	162,570	33.75%
Net profit for the financial year	90,849	73,514	23.58%	174,387	125,495	38.96%

Item	3 quarters of 2009	3 quarters of 2008	Change
Net cash flow from operating activities	293,866	251,484	16.85%
Net cash flow from investing activities	-279,939	-239,868	16.71%
Inflows	9,002	4,652	93.51%
Outflows	-288,941	-244,520	18.17%
Net cash flow from financing activities	583,439	33,203	1657.19%
Inflows	702,271	50,000	1304.54%
Outflows	-118,832	-16,797	607.46%

Item	30 Sep. 2009	30 Sep. 2008	Change
Total assets	2,468,237	1,608,565	53.44%
Tangible fixed assets	1,505,692	1,276,138	17.99%
Current assets, including:	906,354	283,005	220.26%
Stocks	54,384	31,729	71.40%
Trade debtors and other receivables	154,730	157,639	-1.85%
Overpaid income tax		319	-100.00%
Cash and cash equivalents	697,240	93,318	647.17%
Total liabilities	745,883	523,114	42.59%
Provisions for liabilities	114,638	107,441	6.70%
Long-term liabilities (excluding provisions)	177,465	237,646	-25.32%
<i>including credit facilities and long-term loans</i>		80,000	-100.00%
Short-term liabilities (excluding provisions)	453,780	178,027	154.89%
<i>including credit facilities and short-term loans</i>	250,000	10,000	2,400.00%
Shareholders' equity	1,722,354	1,085,451	58.68%
Share capital	301,158	246,158	22.34%
Number of shares (units)	34,013,590.00	2,301,359.00	1,377.98%
Net earnings attributable to shareholders of the Company (PLN per share)*	5.13	5.45	-5.98%

* - in November 2008, shares were split in a ratio of 1:10 – earnings were calculated on the basis of the number of shares after the split

4.2 Information on the current financial standing of LW BOGDANKA Capital Group

Revenue on sales

The main source of revenue on sales of the LW BOGDANKA Group during the three quarters of 2009 (and the three quarters of 2008) was the production and sale of power coal. In the period from 1

January 2009 to 30 September 2009, those activities generated 96.48% of the revenue on sales generated by the LW BOGDANKA Group (in the analogous period of 2008 it amounted to 96.89%).

Most (approx. 90%) coal sales in the above-mentioned period (as well as in the same period of the previous year) were carried out on the basis of long-term commercial contracts with regular key customers of the Company (primarily Elektrownia Kozienice S.A., Elektrownia Połaniec S.A. – Electrabel Polska Group, Zakłady Azotowe Puławy S.A. and ENERGA Elektrownie Ostrołęka S.A.).

The share of the Group's other areas of business activities, including but not limited to the business activities of the subsidiary Łęczyńska Energetyka Sp. z o.o. in Bogdanka, in the sales of the LW BOGDANKA Group amounted to 3.52% in the period of three quarters of 2009 and 3.11% in the period of three quarters of 2008.

In the three quarters of 2009 (i.e. from 1 January 2009 to 30 September 2009) the revenue on sales generated by the LW BOGDANKA Group was higher by 10.01% than the revenue generated in the three quarters of 2008. The observed increase in the revenue in the above-mentioned period was made up by the Group's increased revenues from all types of activities. And so, the most significant revenue group, i.e. revenue on sales of coal, went up by 9.55% in relation to the same period of 2008, which resulted from an increase in the coal unit prices noted at the beginning of 2009. The relative changes in hard coal price decreases in the period from 1 July 2009 to 30 September 2009 were smaller than initially assumed, which in consequence resulted in the above-mentioned increase in the revenue generated on hard coal sale by the Company in the third quarter of 2009. The quantity of coal sold was also higher than initially planned (as included in the Company's issue prospectus). Very dynamic revenue increases were also noted in the segment of construction ceramics, the sale of which went up by 253.69% compared to the same period of the previous year, which was mainly due to a very low comparative basis in 2008 as a result of lack of production and sale in that period, caused by a fire in the Construction Ceramics Plant in September 2007. The Group's other areas of business activities, comprised of the revenue of the subsidiary (Łęczyńska Energetyka) and the revenue of the parent company covering, among others, the revenue on lease of assets and sale of services, saw an increase in revenues of nearly 3%, connected mainly with higher revenue of the parent company. The group of revenue on sales of goods and materials noted an increase at a level of 4.39%, resulting partly from higher prices and quantities of goods and materials sold, particularly scrap.

The table below presents the relative changes in revenue on sales generated by the Bogdanka Group in individual areas of activities in the three quarters of 2009 as compared to the three quarters of 2008.

Table: Relative changes in revenue on sale generated by the LW BOGDANKA Group in individual areas of activities (in PLN '000)

Item	3 quarters of 2009	3 quarters of 2008	3 quarters of 2009/ 3 quarters of 2008
Sales of coal	820,764	749,195	109.55%
Sales of ceramics	7,148	2,021	353.69%
Other activities	16,071	15,631	102.81%
Sales of goods and materials	6,689	6,408	104.39%
Total revenue on sales	850,672	773,255	110.01%

The table below presents the relative changes in the structure by type of revenue on sales of the BOGDANKA Group in the three quarters of 2009 as compared to the three quarters of 2008.

Table: Structure by type of revenue on sales of the LW BOGDANKA Group (in PLN '000)

Item	3 quarters of 2009	share	3 quarters of 2008	share
Sales of coal	820,764	96.48%	749,195	96.89%
Sales of ceramics	7,148	0.84%	2,021	0.26%
Other activities	16,071	1.89%	15,631	2.02%
Sales of goods and materials	6,689	0.79%	6,408	0.83%
Total revenue on sales	850,672	100.00%	773,255	100.00%

The activities of the LW BOGDANKA Group are primarily concentrated in Poland. In the period of three quarters of 2009, export sales constituted a fraction of revenues generated – their share in total revenue on sales remained at the similar level and amounted to approximately 0.05% at the end of the third quarter of both 2008 and 2009.

The table below presents the geographical structure of revenue on sales of the LW BOGDANKA Group in the three quarters of 2009 as compared to the three quarters of 2008.

Table: Geographical structure of revenue on sales of the LW BOGDANKA Group (in PLN '000)

Item	3 quarters of 2009	share	3 quarters of 2008	share
Domestic sales	850,212	99.95%	772,946	99.96%
Foreign sales	460	0.05%	309	0.04%
Total revenues on sales	850,672	100.00%	773,255	100.00%

In the period of three quarters of 2009 (i.e. from 1 January 2009 to 30 September 2009), as in the previous years, the revenue on sales generated by the LW BOGDANKA Group were primarily determined by the Company's production capacity (which is presented in the table below).

Table: Production capacity of LW BOGDANKA for three quarters of 2009 and three quarters of 2008 (in '000 tonnes)

3 quarters of 2009	3 quarters of 2008	3 quarters of 2009/ 3 quarters of 2008
3,945.23	4,234.07	93.18%

In the period of three quarters of 2009 (i.e. from 1 January 2009 to 30 September 2009), extraction of commercial coal was lower as compared to the analogous period of 2008 by approximately 7%, due to the Company's larger scope of preparation work and work on gaining access to deposits, among others in Stefanów Field, which resulted in greater stone content in raw excavated material and a decrease in the extraction of commercial coal despite the capacity of the hoisting gear remaining constant and being used to optimum effect.

Stocks

The level of stocks of coal held by LW Bogdanka as at 30 September 2009 amounted to 114,923.55 tonnes (which constituted an increase of 110,912.34 tonnes relative to the level recorded by the Company as at 31 December 2008 and of 105,231.06 tonnes as compared to the 30 September 2008).

The table below presents the level of stocks of coal held by the Company as at 30 September 2009 and 31 December 2008 and 30 September 2008.

Table: Level of stocks of coal held by LW BOGDANKA S.A. (in tonnes)

Item	30 Sep. 2009	30 Dec. 2008	30 Sep. 2008	30 Sep. 2009/ 31 Dec. 2008	30 Sep. 2009/ 31 Sep. 2008
Stocks of coal	114,923.55	4,011.21	9,692.49	2,865.06%	1,185.70%

As at 31 October 2009 the level of stocks of coal held by the Company amounted to 65,877.80 tonnes.

Deposit reserves

The mining area exploited by Lubelski Węgiel BOGDANKA S.A. is divided into three fields: the Bogdanka, Nadrybie and Stefanów Fields. The main shafts of the mine (including the drawing shaft) are located in the Bogdanka Field, while peripheral shafts are located in the Nadrybie and Stefanów Fields.

On 6 April 2009, the Company obtained a concession to mine hard coal from the Bogdanka deposits being part of the Puchaczów V mining area (seams 382, 385/2, 389 and 391), with an area of 73.3 km², located in the districts of Cyców, Ludwin and Puchaczów in the Lublin Province. Up to that date, the Company had conducted mining operations on the basis of a concession in the Puchaczów IV area, with an area of 57 km² (seams 382 and 385/2).

The table below presents mine resources covered by the concession to mine hard coal as at 31 December 2008.

Table: Mine resources covered by the concession to mine hard coal, updated as at 31 December 2008
[in mln tonnes]

<i>Reserves</i>	<i>Puchaczów IV</i>	<i>Puchaczów V</i> – according to the new concession obtained on 6 April, 2009
Balance	165.9	460.8
Industrial	123.7	335.3
Recoverable	97.1	254.7

Profitability of the Group

Table: Profitability ratios of the LW BOGDANKA Group

Item	3 quarters of 2009	3 quarters of 2008
Gross margin on sales	35.60%	28.01%
EBITDA	37.55%	34.48%
EBIT	25.07%	21.20%
Gross margin	25.56%	21.02%
Net margin	20.50%	16.23%
Return on Assets	8.45%	8.35%
Return on Equity	12.29%	12.24%

Principles for calculating the ratios:

Gross margin on sales = gross profit for the period/revenue on sales for the period

EBITDA = EBITDA for the period/revenue on sales for the period

EBIT = EBIT (operating profit) for the period/revenue on sales for the period

Gross margin = pre-tax profit/revenue on sales for the period

Net margin = net profit for the financial year/revenue on sales for the period

Return on assets = net profit for the financial year/average assets based on the value from the beginning and end of the period

Return on equity = net profit for the financial year/average shareholders' equity based on the value from the beginning and end of the period

In the three quarters of 2009 the Group achieved higher, than in the same period of the previous year, ratios reflecting and measuring the profitability of the conducted business activities. And so, the gross margin on sales of the LW BOGDANKA Group was at a level of 35.60% and was higher than in the same period of the previous year by over 7%. That growth resulted from decreasing the costs of products sold by 1.59% with simultaneous increase in the Group's revenue on sale which went up by over 10%. The analysed period (i.e. from 1 January 2009 to 30 September 2009) saw EBIT of 25.07%, which represented an increase of nearly 4% compared to the same period of 2008. The gross margin amounted to 25.56%, whereas the net margin was at a level of 20.5%. Higher EBIT, gross margin and net margin of the Group follows from a higher result (and higher profitability) of the gross sales.

The net profit of the LW BOGDANKA Group for the period of nine months of 2009 amounted to 174.39 million and was 38.96% higher than in the period of nine months of 2008.

Operating earnings - EBIT

In the period of the first nine months of 2009, the LW BOGDANKA Group recorded an increase in operating profits from the level of PLN 163.90 million to PLN 213.30 million (increase by 30.14%), this increase resulted from a 10.01% increase in the revenue on sales.

Sources of capital of the LW BOGDANKA Group

Table: Sources of capital of the LW BOGDANKA Group (PLN '000)

Item	3 quarters of 2009	3 quarters of 2008
Total long-term financing	522,271	50,000
Increase in shareholders' equity	522,271	0
Contracted long-term bank loans	0	50,000
Total short-term financing	482,868	256,136
Cash flow from operating activities	293,866	251,484
Cash inflow from investment activities	9,002	4,652
Contracted short-term bank loans	180,000	0
Total sources of capital	1,005,139	306,136
Cash and cash equivalents (beginning of period)	99,874	48,499
Cash and cash equivalents (end of period)	697,240	93,318

In the analysed period (i.e. from 1 January 2009 to 30 September 2009) the LW BOGDANKA Group noted a significant increase in shareholders' equity, resulting from the issue of new shares carried out in June 2009.

Table: Shareholders' equity and third-party capital of the LW BOGDANKA Group (PLN '000)

Item	30 Sep. 2009	30 Sep. 2008
Shareholders' equity	1,722,354	1 085,451
Third-party capital	745,883	523,114
Long-term third party capital	236,213	290,733
<i>Provisions for other liabilities and encumbrances</i>	<i>58,748</i>	<i>53,087</i>
<i>Trade creditors and other liabilities</i>	<i>8,781</i>	<i>10,040</i>
<i>Credit facilities and loans</i>	<i>0</i>	<i>80,000</i>
<i>Liabilities from deferred income tax</i>	<i>62,480</i>	<i>60,295</i>
<i>Liabilities from employee benefits</i>	<i>106,204</i>	<i>87,311</i>
Long-term third-party capital	509,670	232,381
<i>Provisions for other liabilities and encumbrances</i>	<i>55,890</i>	<i>54,354</i>
<i>Credit facilities and loans</i>	<i>250,000</i>	<i>10,000</i>
<i>Trade creditors and other liabilities</i>	<i>189,160</i>	<i>151,583</i>
<i>Liabilities from current income tax</i>	<i>2,649</i>	<i>9,250</i>
<i>Liabilities from employee benefits</i>	<i>11,971</i>	<i>7,194</i>

In the period of the first nine months of 2009, the LW BOGDANKA Group financed its operations both from shareholders' equity and using third-party capital in the form of a bank loan and a commercial loan granted by the Group's suppliers.

Cash flows of the LW BOGDANKA Group

Table: Structure of cash flows of the LW BOGDANKA Group (PLN '000)

Item	3 quarters of 2009	3 quarters of 2008
Net operating cash flow	293,866	251,484
Pre-tax profit (loss)	217,440	162,570
Total adjustments	76,426	88,914
<i>Including amortisation/depreciation</i>	106,152	102,755
Net investing cash flow	-279,939	-239,868
Inflow	9,002	4,652
Outflow	-288,941	-244,520
Net financing cash flow	583,439	33,203
Inflows	702,271	50,000
Outflow	-118,832	-16,797
<i>Including paid dividends</i>	-88,832	-5,638
Total net cash flow	597,366	44,819
Cash and cash equivalents (beginning of period)	99,874	48,499
Cash and cash equivalents (end of period)	697,240	93,318

The LW BOGDANKA Group's policy relating to financing and managing funds primarily involves financing operating activities from profits and bank loans.

In the first nine months of 2009, the LW BOGDANKA Group financed its business activities with operating cash flows, the main source of which were pre-tax earnings. In the analysed period (i.e. from 1 January 2009 to 30 September 2009), the LW BOGDANKA Group also achieved a positive balance of cash flows from financing activities thanks to obtained proceeds from a share capital increase (PLN 521 million) and a short-term bank loan (in a total amount of PLN 180 million). Whereas the Group's investment activities generated a negative balance of cash flows, which was caused by continued execution of an investment programme connected, to a large extent, with expansion of the Stefanów Field involving investments made in tangible fixed assets in a total amount of PLN 288.94 million.

The release in the first half of 2009 of the subsequent tranches of a working capital loan in the amount of PLN 180 mln and the funds obtained by the Group as a result of the issue of series C shares were primarily responsible for the increase in financial resources from cash flows presented in the consolidated financial statements for the period of three quarters of 2009.

The debt rates and financing structure of the LW BOGDANKA Group

Table: Debt rates of the LW BOGDANKA Group

Item	30 Sep. 2009	30 Sep. 2008
Overall debt ratio	0.30	0.33
Debt to equity ratio	0.43	0.48
Fixed capital to fixed assets ratio	1.22	1.00
Short-term debt ratio	0.21	0.14
Long-term debt ratio	0.10	0.18

Principles for calculating the indices:

overall debt ratio = total liabilities / total shareholders' equity and liabilities

debt to equity ratio = total liabilities / shareholders' equity

fixed capital to fixed assets ratio = (shareholders' equity + long-term liabilities excluding provisions) / fixed assets

short-term debt ratio = short-term liabilities / total liabilities

long-term debt ratio = long-term liabilities / total liabilities

In the analysed period of three quarters of 2009, the share of liabilities in the financing of the operations of the LW BOGDANKA Group, measured by the overall debt ratio, amounted to 30% as at 30 September 2009 (compared to 33% as at 30 September 2008). The LW BOGDANKA Group's debts did not constitute a threat, in the period covered by the consolidated quarterly financial statements (i.e. from 1 January 2009 to 30 September 2009), to its operations or ability to punctually fulfil the Group's obligations. In the analysed period debt to equity ratio of the LW Bogdanka Group was also subject to decrease.

The increase in the fixed capital to fixed assets ratio shall be also regarded as positive.

Table: Liquidity indices of the LW BOGDANKA Group

Item	30 Sep. 2009	30 Sep. 2008
Current liquidity ratio	2.00	1.59
Quick liquidity ratio	1.88	1.41

Principles for calculating the ratios:

current liquidity ratio = current assets/short-term liabilities excluding provisions

quick liquidity ratio = (current assets – stocks)/short-term liabilities excluding provisions

In the period covered by the consolidated quarterly financial statements (i.e. from 1 January 2009 to 30 September 2009), the liquidity ratios of the LW BOGDANKA Group remained at a safe level, from the financial analysis point of view, and the Group does not have any difficulties in settling its liabilities.

Table: Turnover rates of the LW BOGDANKA Group (in days)

Item	30 Sep. 2009	30 Sep. 2008
Stock turnover	22.3	18.1
Trade debtors collection rate	46.6	45.9
Trade creditors payment rate	84.0	76.0
Operating cycle (1+2)	68.9	64.0
Cash conversion cycle (4-3)	-15.1	-12.0

Principles for calculating the indices:

stock turnover = (average stocks based on the level at the beginning and end of the financial year/cost of products, goods and materials sold) x the number of days in the period

trade debtors collection rate = (average trade debtors based on the level at the beginning and end of the financial year/revenue on sales) x the number of days in the period

trade creditors payment rate = (average trade creditors based on the level at the beginning and end of the financial year/cost of products, goods and materials sold) x the number of days in the period

As at 30 September 2009, the value of the stock turnover index showed a growth trend compared to 30 September 2008 (an increase from 18.1 days to 22.3 days), which was the consequence of an increase in the stocks of coal.

In the analysed period (i.e. from 1 January 2009 to 30 September 2009) a slight increase saw also the trade debtors collection rate, which was the consequence of higher generated revenue on sales. The trade creditors payment rate increased in the above-mentioned period from 76 days as at 30 September 2008 to 84 days as at 30 September 2009.

As a result of the trends described above, a cash conversion cycle of -15.1 days was achieved as at 30 September 2009.

Consolidated statement on total income

Table: Selected items of the consolidated statement on total income of the LW BOGDANKA Group (PLN '000)

Item	3 quarters of 2009	3 quarters of 2008	Change
Revenue on sales	850,672	773,255	10.01%
Own cost of products, goods and materials sold	639,242	620,841	2.96%
Gross profit on sales	211,430	152,414	38.72%
Other income	5,380	9,815	-45.19%
Other expenses	2,754	12,466	-77.91%
Net operating profit/loss	214,056	149,763	42.93%
Other net profit/loss	-754	14,134	-105.33%
Operating profit	213,302	163,897	30.14%
Financial income	12,359	5,023	146.05%
Financial expenses	8,417	6,239	34.91%
Share in profits of affiliated undertakings	196	-111	-276.58%
Pre-tax profits	217,440	162,570	33.75%
Income tax	43,053	37,075	16.12%
Net profit for the financial year	174,387	125,495	38.96%
- attributable to shareholders of the Company	174,381	125,520	38.93%

During nine months of 2009, revenue on sales of the LW BOGDANKA Group increased by 10.01% compared to the same period of the previous year.

The Group's result at the operating level was affected to the greatest degree by the higher gross profits resulting from the higher rate of change in revenues from the basic activities relative to the rate of change in operating costs. During the period being analysed (i.e. 1 January 2009 – 30 September 2009), own costs of products, goods and materials sold amounted to PLN 639,242 compared to PLN 620,841 as at 30 September 2008.

Other income

In the nine months of 2009 the BOGDANKA Group's other operating revenue was at a level of PLN 5,380,000 compared to PLN 9,815,000 in the same period of the previous year (a decrease of 45.19%). The high value of other operating revenues obtained by the Group in 2008 was affected by a decision of the Supreme Court on returning undue performance to LW BOGDANKA S.A. by Elektrownia Koźienice S.A. and ENERGA Elektrownie Ostrołęka S.A.

Other expenses

In the period of nine months of 2009, other Group's operating expenses amounted to PLN 2,754,000 compared to PLN 12,466,000 incurred in the same period of the previous year (a decrease by 77.91%) The decrease results from the fact that the cost of interest on real estate tax relating to mining excavations in the amount of PLN 11,064,000 was charged to costs for 2008.

The relation between values of other operating income and operating expenses led to operating profit for the nine months of 2009 amounting to PLN 213,302,000 compared to PLN 163,897,000 for the previous year, which in consequence comprised a 30.14% increase on a year-on-year basis.

Financial income

In the period of the first nine months of 2009, the Group obtained financial income of PLN 12,359,000, compared to just PLN 5,023,000 in the previous year (an increase of 146.05%). This increase resulted from the higher amount of cash available in the LW BOGDANKA Group in the period referred to hereinabove.

Financial expenses

In the period of the first nine months of 2009, the Group incurred financial expenses in the amount of PLN 8,417,000 compared to PLN 6,239,000 in the analogous period in the previous year. The 34.91% increase in financial costs on a year-on-year basis was caused by additional tranches of a bank loan being released by the Company.

The relation between the financial income and financial expenses led to pre-tax profits for the nine months of 2009 reaching PLN 217,444,000, compared to PLN 162,570,000 in the previous year. As a consequence, pre-tax profit increased by 33.75% on a year-on-year basis.

Balance sheet

Table: Selected items of the LW BOGDANKA Group's balance sheet (PLN '000)

Item	30 Sep. 2009	31 Dec. 2008	Change
Assets			
Fixed assets	1,561,883	1,386,033	12.69%
Tangible fixed assets	1,505,692	1,333,959	12.87%
Intangible fixed assets	12,444	10,141	22.71%
Investments in affiliated undertakings	204	8	2450.00%
Trade and other receivables	434	852	-49.06%
Cash and cash equivalents	43,109	41,073	4.96%
Current assets	906,354	271,397	233.96%
Stocks	54,384	35,055	55.14%
Trade debtors and other receivables	154,730	135,783	13.95%
Overpaid income tax		685	-100.00%
Cash and cash equivalents	697,240	99,874	598.12%
			-
TOTAL ASSETS	2,468,237	1,657,430	48.92%

Item	30 Sep. 2009	31 Dec. 2008	Change
Shareholders' equity			
Shareholders' equity attributable to shareholders of the Company	1,712,863	1,106,263	54.83%
Ordinary shares	301,158	246,158	22.34%
Other capital	890,456	400,015	122.61%
Retained profits	521,249	460,090	13.29%
Minority shareholdings	9,491	9,485	0.06%
Total shareholders' equity	1,722,354	1,115,748	54.37%
Liabilities			
Long-term liabilities	236,213	222,854	5.99%
Deferred income tax liabilities	62,480	57,346	8.95%
Employee benefits liabilities	106,204	101,549	4.58%
Provisions for other liabilities and charges	58,748	54,337	8.12%
Trade creditors and other liabilities	8,781	9,622	-8.74%
Short-term liabilities	509,670	318,828	59.86%
Credit facilities and loans	250,000	100,000	150.00%
Liabilities from current income tax	2,649	-	-
Liabilities from employee benefits	11,971	18,877	-36.58%
Provisions for other liabilities and encumbrances	55,890	51,948	7.59%
Trade creditors and other liabilities	189,160	148,003	27.81%
Total liabilities	745,883	541,682	37.70%
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	2,468,237	1,657,430	48.92%

The balance-sheet total as at 30 September 2009 presented in the Consolidated Quarterly financial statements increased compared to the balance sheet presented at the end of 2008 by PLN 810,807,000. That increase comprised both an increase in the value of fixed and current assets on the assets side as well as an increase in the value of shareholders' equity and debt on the shareholders' equity and liabilities side.

During the period being analysed, the value of fixed assets increased from PLN 1,386,033,000 to PLN 1,561,883,000, i.e. by 12.69%. That increase resulted primarily from the implementation of the investment programme of LW BOGDANKA Capital Group. At the same time, in the period referred to above, current assets increased (by 233,96%), which was primarily due to an increase in cash by PLN 597,366,000, as well as an increase in stocks of materials and products by PLN 19,329,000. In total, the total of assets as at 30 September 2009 relative to the balance as at increased by 48.92%.

The increase in the items disclosed in the balance sheet on the shareholders' equity and liabilities side was caused by an increase in the following items:

- shareholders' equity – by PLN 606,606,000 (among others the issue of 11 million of series C shares raising PLN 528,000,000 for the Company),
- short-term credit facilities and loans – by PLN 150,000,000 (release of the last tranche of non-revolving working capital loan),

- short-term trade creditors and other liabilities – by PLN 41,157,000 (in connection with purchase of services and equipment necessary for investment tasks carried out in the LW BOGDANKA Capital Group).

Information on the structure of assets and liabilities

Table: Structure of the balance sheet of the LW BOGDANKA Group (PLN '000)

Item	30 Sep. 2009	Structure	Dec. 31, 2008	Structure
Assets				
Fixed assets	1,561,883	63.28%	1,386,033	83.63%
Tangible fixed assets	1,505,692	61.00%	1,333,959	80.48%
Intangible fixed assets	12,444	0.50%	10,141	0.61%
Investments in affiliated undertakings	204	0.01%	8	0.00%
Trade debtors and other receivables	434	0.02%	852	0.05%
Cash and cash equivalents	43,109	1.75%	41,073	2.48%
Current assets	906,354	36.72%	271,397	16.37%
Stocks	54,384	2.20%	35,055	2.12%
Trade debtors and other receivables	154,730	6.27%	135,783	8.19%
Overpaid income tax			685	0.04%
Cash and cash equivalents	697,240	28.25%	99,874	6.03%
TOTAL ASSETS	2,468,237	100.00%	1,657,430	100.00%
Shareholders' equity				
Shareholders' equity attributable to shareholders of the Company	1,712,863	69.40%	1,106,263	66.75%
Ordinary shares	301,158	12.20%	246,158	14.85%
Other capital	890,456	36.08%	400,015	24.13%
Retained profits	521,249	21.12%	460,090	27.76%
Minority shareholdings	9,491	0.38%	9,485	0.57%
Total shareholders' equity	1,722,354	69.78%	1,115,748	67.32%
Liabilities				
Long-term liabilities	236,213	9.57%	222,854	13.45%
Deferred income tax liabilities	62,480	2.53%	57,346	3.46%
Employee benefits liabilities	106,204	4.30%	101,549	6.13%
Provisions for other liabilities and charges	58,748	2.38%	54,337	3.28%
Trade creditors and other liabilities	8,781	0.36%	9,622	0.58%
Short-term liabilities	509,670	20.65%	318,828	19.24%
Credit facilities and loans	250,000	10.13%	100,000	6.03%
Deferred income tax liabilities	2,649	0.11%	0	
Employee benefits liabilities	11,971	0.49%	18,877	1.14%
Provisions for other liabilities and charges	55,890	2.26%	51,948	3.13%
Trade creditors and other liabilities	189,160	7.66%	148,003	8.93%
Total liabilities	745,883	30.22%	541,682	32.68%
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	2,468,237	100.00%	1,657,430	100.00%

Within the analysed period (i.e. from 1 January 2009 to 30 September 2009) the asset item with the largest share in the balance-sheet total is fixed assets (their share as at 30 September 2009 and 30 September 2008 amounted to 63.28% and 83.63% respectively). Tangible fixed assets accounted for 61.00% and 80.48% of the balance-sheet total respectively. During the nine months of 2009 the share of current assets increased from the level of 16.37% (on 31 December 2008) to 36.72% (on 30 September 2009), accompanied by an increase in the share of cash and cash equivalents from 6.03% to 28.25%.

The share of shareholders' equity in the sum total of liabilities went up from 67.32% (31 December 2008) to 69.78% (30 September 2009), which resulted from an increase in the shareholders' equity attributable to shareholders of the parent company, i.e. LW BOGDANKA S.A. (went up from PLN 1,106,263,000 in 2008 to PLN 1,712,863,000 as at 30 September 2009, with the increase noted predominantly in the "Other capital" group).

In the analysed period (i.e. from 1 January 2009 to 30 September 2009) the total share of liabilities in the balance-sheet total fell from 32.68% (as at 31 December 2008) to 30.22% (as at 30 September 2009), with the share of long-term liabilities going down to 9.57%, and the share of short-term liabilities going up to 20.65%. Short-term trade liabilities decreased during the period being analysed from 8.93% (on 31 December 2008) to 7.66% (on 30 September 2009) of the balance-sheet total.

4.3 Costs by type of the parent company LW BOGDANKA S.A.

In the three quarters of 2009 LW BOGDANKA S.A. incurred costs by type amounting to PLN 694,436,000

Table: Costs by type of LW BOGDANKA S.A. (PLN '000)

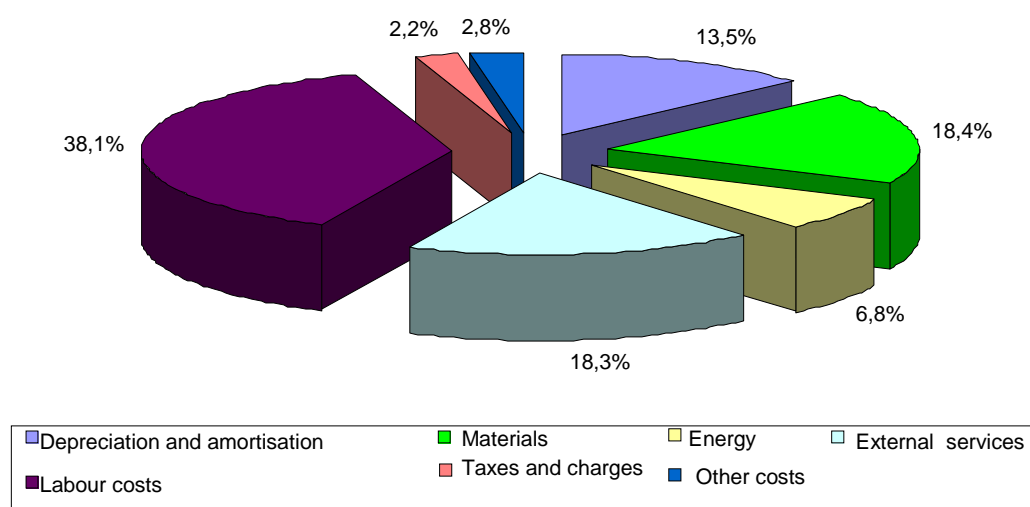
Item	3 quarters of 2009
Depreciation and amortisation	93,432
Materials	12,664
Energy	47,122
External services	126,857
Labour costs	264,483
Taxes and charges	15,217
Other costs	19,660
TOTAL COSTS BY TYPE	694,436
Change in stocks of coal	-16,514
Change in stocks of brick	-917
Cost of goods sold	677,005

The labour costs are the dominant cost item, with their share being at a level of 38%. Also significant is the share of costs of materials and the share of costs of external services (respectively 18.38% and 18.27%). The share of depreciation and amortisation in the total costs in the analysed period amounted to 13.45%, whereas the share of other cost items did not exceed 7%.

Table: Structure of costs by type of LW BOGDANKA S.A.

Item	3 quarters of 2009
Depreciation and amortisation	13.45%
Materials	18.38%
Energy	6.79%
External services	18.27%
Labour costs	38.09%
Taxes and charges	2.19%
Other costs	2.83%
TOTAL COSTS BY TYPE	100.00%

Costs by type for 3 quarters 2009



5. INFORMATION ON KEY MATERIAL AND CAPITAL INVESTMENTS OF LW BOGDANKA CAPITAL GROUP

5.1 Material investments of the LW BOGDANKA Capital Group in the third quarter of 2009

The table below contains details of key material investments of LW BOGDANKA Capital Group in the period of three quarters of 2009.

Table: Key material investments of LW BOGDANKA Capital Group in the period of three quarters of 2009
(in PLN '000)

Fixed assets under construction and purchases of tangible and intangible assets, including:	Outlays incurred from 1 January 2009 to 30 September 2009
Construction/assembly work	249,087.0
Completion of deliveries – purchases	21,513.4
Purchases of intangible assets	4,127.0
Other outlays	12,081.6
Advance payments for fixed assets under construction	96.0
Total	286,905.0

Outlays on fixed assets under construction were financed from the Company's own funds and a bank loan.

5.2 Capital investments of LW BOGDANKA Capital Group in the third quarter of 2009

In the third quarter of 2009, LW BOGDANKA Capital Group did not carry out any capital investments.

6. POSITION OF THE MANAGEMENT BOARD OF LW BOGDANKA S.A. REGARDING THE POSSIBILITY OF ACHIEVING PREVIOUSLY PUBLISHED FORECASTS FOR THE YEAR IN QUESTION, IN LIGHT OF THE RESULTS SET OUT IN THE QUARTERLY REPORT IN RELATION TO THE FORECAST RESULTS

According to the information set out in the Issue Prospectus of LW BOGDANKA S.A., drawn up in connection with the public offer of series C shares and published on 15 May 2009, the Company publicly disclosed an annual forecast of the consolidated financial results of LW BOGDANKA Capital Group for 2009. The forecast items of the consolidated profit and loss account of the Group set out in the Issue Prospectus of LW BOGDANKA S.A. included net revenue on sales, operating profit and net profit.

On 27 October 2009 the Company published, in the form of Current Report No. 28/2009, an updated forecast of financial results of the LW BOGDANKA Capital Group for 2009 as published in the Issue Prospectus. The change was made on the basis of analyses made by the Company's Management Board covering the Group's financial results for the first months of 2009 and perspectives for its development in the fourth quarter of 2009.

The table below presents original and updated forecast of financial results of the LW BOGDANKA Group for 2009.

Table: Change in forecast of financial results of the LW BOGDANKA Group for 2009

Forecast item	Forecast for 2009 (in PLN '000)		Change	
	was	forecast now	%	PLN '000
Net revenue on sales	1,091,713	1,143,649	4.8	51,936
Operating profit	178,319	222,455	24.8	44,136
Net profit	140,603	178,070	26.6	37,467

An increase in the above-mentioned forecasts as published previously is caused by the Group's financial results achieved for the first nine months of 2009, improved macroeconomic conditions observed by LW BOGDANKA S.A. and higher demand for coal. The Company estimates that it will sell the whole volume of its coal production, with decreasing the level of stocks from the first half of 2009. The Group's financial results will be also positively affected by the actual fall in the coal average sale price in the second half of 2009 being smaller than originally assumed.

The table below presents selected forecast and achieved items of the Consolidated Statement of Total Income of the BOGDANKA Group in the first nine months of 2009.

Table: Selected forecast and achieved items of the Consolidated Statement of Total Income of the LW BOGDANKA Group in the first nine months of 2009 (in PLN '000) and the degree to which the forecast was fulfilled (in %)

Forecast item	Forecast for 2009 (in PLN '000)	Performance in the first three quarters of 2009*	Fulfillment of the forecast in the first three quarters of 2009
Net revenue on sales	1,143,649	850,672	74.4%
Operating profit	222,455	213,302	95.9%
Net revenue on sales	178,070	174,387	97.9%

* operating profit and net profit presented for the three quarters of 2009 make 95.9% and 97.9%, respectively, of the presented forecast. In the Company's operation the costs of the fourth quarter are charged with provisions for employee benefits in the form of coal allowances, service anniversary awards, retirement and disability severance pays. In accordance with the adopted accounting policies, actuarial valuation of such provisions is made as per balance at 31 December. Furthermore, in connection with less business days in the month of December, the Company's revenues will be lower than in the other months of the year on the average.

7. DEVELOPMENT STRATEGY OF LW BOGDANKA CAPITAL GROUP

The strategic objective of the development of LW BOGDANKA Group is to build and increase its value for the shareholders by:

- gaining access to new reserves and increasing the level of coal extraction based on the enlargement 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 units costs of extractions and production.

The main strategic objectives of development defined by the LW BOGDANKA Group are:

- doubling the level of extraction of raw materials and thereby doubling the Group's share in the market for hard coal producers in Poland;
- improving the efficiency of hard coal extraction and production;
- ensuring that LW BOGDANKA S.A. is self-sufficient regarding the supply of electricity by developing electricity production activities;
- environmental protection measures.

In the near future, measures aimed at implementing the planned development strategy of LW BOGDANKA Capital Group will primarily focus on work associated with settling tender procedures relating to selecting contractors for the implementation of the following investment tasks:

- extending the Mechanical Coal Processing Plant;
- constructing a system for transporting excavated material from shaft 2.1 in the Stefanów Field to the Mechanical Coal Processing Plant in the Bogdanka field;
- constructing individual technological buildings in the Stefanów Field (a main ventilator station, a tower for shaft 2.1, a shaft top building for shaft 2.1 and an STR-M2.1 6/05/04 kV transformer/distribution station in the hoisting gear building) or general mining works in the Stefanów Field.

Enlarging the Stefanów Field will enable the production capacity of LW BOGDANKA S.A. to be doubled, as well as the annual quantity of hard coal extraction, starting from 2011 (from the present 5.3 million tonnes, to 7.4 million tonnes in 2011, to reach the target level of 11.1 million tonnes per annum in 2014).

8. DESCRIPTION OF RISKS, THREATS AND FACTORS WHICH ARE SIGNIFICANT FOR THE RESULTS OF THE COMPANY IN THE NEXT QUARTER

Described below are risks and threats which the Management Board believes to be significant and factors which are significant for the operations and development of LW BOGDANKA Capital Group in the fourth quarter of 2009.

8.1 External factors

8.1.1 Risk associated with the social and economic situation in Poland and the world

LW BOGDANKA Group's financial standing depends on the economic situation in Poland and the world. The financial results generated by the Group are affected by the rate of increase in domestic and global GDP, particularly the rate of increase in industrial production, changes in exchange rates, the level of inflation, the rate of unemployment, national fiscal policy, and the demand for electricity and heat energy, etc.

In the Company's opinion, LW BOGDANKA S.A. is exposed to a possible adverse influence of the macroeconomic situation on its operations to a relatively limited degree, which is reflected in the fact that since 1994 the Company has regularly achieved positive financial results, regardless of the macroeconomic situation in Poland and the world. The large decrease in prices recorded on global markets has only resulted in a small decrease in the prices of LW BOGDANKA S.A. At present, stabilisation of prices at the current levels is expected.

8.1.2 Factors associated with Poland's economic policy with respect to the hard coal mining sector and the power sector

A significant factor affecting the market position of the LW BOGDANKA Group are the State Treasury's plans relating to restructuring and privatising power engineering and hard coal mining companies, which are described in the following documents:

- "Strategy for Hard Coal Mining Operations in Poland in 2007-2015", adopted by the Council of Ministers in July, 2007;
- "Poland's Energy Policy up to 2025", adopted by the Council of Ministers in December 2004, which provides for the consolidation of the fuel/energy sector;
- "Poland's Energy Policy up to 2030" of March 2009;
- "Privatisation Plan for 2008-2011", adopted by the Council of Ministers on 22 April 2008. On 11 August 2009, the Council of Ministers adopted a draft updating the "Plan...", which provides for the sale in 2010 of shares in the Company held by the State Treasury. Currently at the Ministry of State Treasury the works are underway to choose a concept of further privatisation of LW BOGDANKA S.A.

Budgetary subsidies to co-finance initial investments in the mining industry:

In accordance with the provisions of the Act on Functioning of Hard Coal Mining Industry in 2008-2015 (Dz.U. of 2007, 19 October 2007), a mining undertaking may receive as budgetary subsidy a co-financing to an initial investment on the terms laid out in the Council Regulation (EC) No 1407/2002 of 23 July 2002 on State aid to the coal industry (OJ L 205, 02.08.2002, OJ UE Polish special issue, chapter 8, vol. 2, p. 170). Aid intended to cover initial investment costs may be declared to be

compatible with the common market only if it satisfies, among others, the following conditions: (i) the amount of aid per tonne coal equivalent may not cause delivered prices for Community coal to be lower than those for coal of a similar quality from third countries; (ii) aid must not lead to any distortion of competition between coal buyers and users in the Community; (iii) the aid notified and actually paid shall not exceed 30% of the total costs of the relevant investment project which will enable a production unit to become competitive in relation to the prices of coal of a similar quality from third countries.

As at the date of submitting this Report, the amount of PLN 400 million is envisaged in the draft budget of the State for 2010 for co-financing initial investments in the hard coal mining industry in Poland. Furthermore, the Ministry of Economy started work on secondary legislation to the Act on Functioning of Hard Coal Mining Industry in 2008-2015 in the above-mentioned extent.

In connection with the execution of investment plans assuming the doubling of production capacities, the Company is going to apply for the granting of funds for investments related to achievement of strategic goals of LW BOGDANKA S.A.

8.1.3 Risk associated with the levels of prices for raw materials for power production in Poland and the world

The levels of prices of raw materials for power production, including the prices of power coal and raw materials which constitute an alternative to power coal (crude oil, natural gas, renewable sources) on global markets and therefore on the domestic market, have key significance for the activities conducted by the LW BOGDANKA Group.

The Company reduces the risk associated with prices of raw materials for energy production by signing long-term commercial contracts with key customers for power coal.

8.1.4 Risk associated with the specific nature of mining sector operations and the possibility of unforeseen events occurring

The operating activities of the LW BOGDANKA Group are exposed to risks and dangers beyond its control resulting from the specific nature of conducting activities in the mining industry. These include events associated with the environment (e.g. industrial and technological malfunctions) and extraordinary events (e.g. geotechnical phenomena, mining disasters, fires or flooding of excavations with mine waters). Such events or phenomena could cause a temporary suspension of LW BOGDANKA S.A.'s operating activities or losses relating to property, financial assets and employees or could result in LW BOGDANKA S.A. being held legally liable.

Another key risk associated with the specific nature of mining operations is mining damage. The relevant legislation, e.g. the Environmental Protection Law and the Act on the Protection of Agricultural and Forest Land, impose an obligation on mining companies to reclaim post-industrial land, which means they have to incur related costs, which could have an adverse effect on the financial results achieved by the Group.

The safety level of the operating conditions in LW BOGDANKA S.A.'s mine is relatively high, which is reflected in the low accident indicators compared to other companies in the industry. This is due, in particular, to the Company's strictly compliance with the principles of health and safety in the workplace, ongoing monitoring of threats at individual workstations, appropriate preventative measures, the absence of the risk of mine collapses, gas breakouts and rock outbursts and the low risk of a methane explosion (category 1 methane threat on a four-grade scale).

Other factors which reduce the effect of the risk associated with the specific nature of the mining industry on the LW BOGDANKA Group's operations include:

- the use of advanced mining machines and equipment, which reduces the risk of industrial malfunctions occurring;
- the fact that the mining deposits are regularly laid out;
- the relatively low costs of repairing mining damage resulting from the low urbanisation of the area in which LW BOGDANKA S.A. extracts hard coal.

8.1.5 Risk associated with changes in exchange rates

The Company has agreements with contracting partners which will be paid in euros. There is therefore a risk relating to an adverse effect of changes in the euro exchange rate on the financial results achieved by the LW BOGDANKA Group.

The Company does not use any instruments that provide protection against exchange rate risk.

8.2 Internal factors

8.2.1 Technical and technological risk

Extracting coal from underground seams is a complex process which is subject to strict technical and technological requirements. During such operations, various kinds of stoppages can occur due to planned and unplanned technical interruptions (e.g. malfunctions). There is a potential risk associated with the effect of unplanned stoppages caused by serious malfunctions on the volume of production and sales and the possibility of punctually making deliveries to the customers of the LW BOGDANKA Group, and therefore on the financial results achieved by the Group.

The Company stresses that the risk of stoppages occurring in hard coal extraction operations is minimised by the fact that LW BOGDANKA S.A. extracts coal by the longwall system and its target production capacity is obtained from two mining faces, while due to technical and technological mining conditions the planned level of extraction can be maintained if a stoppage occurs at one of the faces by intensifying work on the other. The enlargement of the Stefanów Field planned by the Company and the associated start-up of a second mining shaft will further reduce the risk of a technological stoppage by ensuring the continuity of hard coal extraction if one of the shafts breaks down.

The Company would also like to point out that it uses advanced mining equipment and machines in its mining operations and conducts intensive research and development work aimed at increasing the productivity of its operations, introducing solutions with a high degree of technical and technological reliability (underground coal storage silos with a capacity of 11,500 tonnes) and increasing the safety of the work environment. These measures will significantly reduce the Company's technical and technological risk.

8.2.2 Risk of IT systems malfunctioning

A partial or complete loss of data due to a malfunction of the LW BOGDANKA Group's computer systems could adversely affect its ongoing operations and therefore affect its financial results.

However, the Company stresses that the Group is systematically taking action aimed at minimising the risk associated with the possibility of IT systems malfunctioning (regularly making back-up copies of important data, using hardware firewalls, and using anti-virus systems on servers and employees' computers). Furthermore, the IT systems used in the LW BOGDANKA Group have no effect on operating activities associated with extracting hard coal and therefore if they malfunction the continuity of hard coal extraction would not be threatened.

8.2.3 Key customer risk

The customers for the vast majority of the power coal produced by the Company are a relatively small group of large contracting parties operating on the domestic market. There is therefore a risk that the reduction or termination of cooperation with a key customer or the deterioration of the financial/economic situation of any of the main customers of the Company could have an adverse effect on the financial results achieved by the LW BOGDANKA Group.

However, the Company stresses that as at the date of submitting this Report, it has agreements with key customers ensuring the sale of coal produced until the end of 2009 and 2010.

8.2.4 Key supplier risk

Specific nature of the Company's business activities requires the use of technologies often connected with applying highly specialised machinery and equipment and contracting highly specialised services. There is therefore a possible risk of problems with finding appropriate suppliers and a risk that suppliers fail to perform contracts concluded with the Company.

When concluding contracts with suppliers, LW BOGDANKA S.A. assesses a risk, if any, of any threats occurring for contract performance and a possibility of taking up co-operation with other suppliers. Furthermore, in order to secure contract performance, the Company requires a performance bond to be provided.

8.2.5 Risk associated with competition by other power coal producers and the relatively low quality of the coal produced by LW BOGDANKA S.A.

On both the Polish market and export markets, the LW BOGDANKA Group is exposed to price competition from other producers of power coal in Poland (e.g. the mine companies Katowicki Holding Węglowy S.A. and Kompania Węglowa S.A.), as well as from eastern markets (including Russia, Ukraine and Kazakhstan).

In the case of domestic coal companies, significant risk factors associated with competition are:

- consolidation processes in the mining industry (vertical and horizontal consolidation within large energy groups) leading to the creation of powerful entities in terms of capital which determine how the domestic power coal market will develop;

- government assistance for hard coal mines in the Silesia region covered by a restructuring programme, which includes providing additional funding, cancelling debts and company subsidies.

In the case of coal suppliers from eastern markets, LW BOGDANKA Group has a significant logistical advantage.

In relation to Polish hard coal producers, the Company has competitive advantages which minimise the risk associated with price competition from them, e.g. an established market position as one of the leaders of the Polish market for hard coal producers which is differentiated from other companies in the sector in terms of its financial results, hard coal extraction capacity and investment plans, which involve making new mining deposits available.

Another significant risk factor associated with competition are the less favourable quality parameters of the coal which the Company produces compared to the hard coal mined in the Silesia region (its lower calorific value and higher sulphur content), which limits the range of applications of the coal extracted in LW BOGDANKA S.A. to industry and power production and forces the Company's customers to invest in fume desulphurisation installations. However, because customers for power coal have technologies which are prepared for burning coal with a particular calorific value and because, as at the date of submitting this Report, all the key customers of the Company have fume desulphurisation installations, in the Management Board's opinion the risk associated with the less favourable quality parameters of the coal produced by LW BOGDANKA S.A. is limited.

8.2.6 Risk associated with the strong position of the trade unions in the Company

Trade unions hold a significant position in the hard coal mining sector and play an important role in determining staff and payroll policy, frequently forcing renegotiations of wage policy through protest action. Four trade union organisations operate in the Company, whose membership constitutes a total of 66% of the Company's employees, while a total of six trade union organisations operate in the LW BOGDANKA Group bringing together 65% of its employees.

The strong position of the trade unions creates a situation in which there is a risk of the costs of remuneration increasing under negotiated wage agreements, which could adversely affect the financial results of the LW BOGDANKA Group. Furthermore, protests and/or strikes organised by the trade unions operating in the LW BOGDANKA Group could affect the operating activities conducted by the Group.

In the Management Board's opinion, cooperation with the trade unions operating in the Company has so far been successful. One of the Company's objectives is for the cooperation between its Management Board and the trade unions to continue in order to maintain good mutual relations between them and to accept and increase the unions' involvement in achieving the Company's objectives and strategy.

8.2.7 Risk of delays in planned investments due to the obligation to apply the Public Procurement Act

The granting of contracts by entities conducting business activities involving mining hard coal for the purpose of conducting those business activities is subject to the provisions of law on sectoral public contracts. The way the Public Procurements Act has been applied in the past shows that, because of

protests and cancellations and also the frequent invalidation of tenders, granting a contract can significantly delay the commencement of an investment. A delay in an investment can result in an increase in costs or a decrease in revenues for the LW BOGDANKA Group and therefore adversely affect its financial results. The Company exercises due diligence to ensure that issues associated with granting public contracts do not cause delays in carrying out investments.

8.2.8 Risk of the employees of LW BOGDANKA S.A. being additionally employed in Korporacja Gwarecka S.A.

In 2002, former and present employees of LW BOGDANKA S.A. founded Korporacja Gwarecka S.A., which cooperates with the Company. That cooperation involves Korporacja Gwarecka S.A. providing outsourcing services to the Company, whereby it provides workers to perform mining and maintenance/refurbishment work on Saturdays, Sundays and holidays. Because that work requires that people with appropriate qualifications and experience be employed, the people employed by Korporacja Gwarecka S.A. are mainly employees who work in the Company from Monday to Friday on the basis of an employment contract concluded directly with the Company.

If the performance of work by employees of LW BOGDANKA S.A. contracted from Korporacja Gwarecka S.A. or a different external entity for LW BOGDANKA S.A. could not be continued, the Company would be forced to employ additional employees, which could adversely affect the financial results achieved by the LWB Group.

8.3 Risk factors relating to proceedings and the legal environment

8.3.1 Risk of real estate tax on mining excavations

When the Company draws up its real estate tax declarations, it does not take into account (like other mining companies in Poland), for the purposes of calculating that tax, the value of building structures and equipment located in its pits. There is a risk of the tax authorities and courts taking a position in this matter according to which for the purpose of charging real estate tax, a mining excavation should be treated not as a unified structure but as a building structure consisting of individual structures (or devices) which are functionally connected to each other, i.e. shafts, side drifts, power lines etc. used to extract minerals. In this sense, the structures and devices in question would constitute a constituent part of a pit used for conducting business activities and real estate tax should be levied on those structures (devices). That such a risk exists is indicated by certain court judgements issued in the context of factual statuses which occurred after 1 January 2003, i.e. after the amendment of the Act on Local Taxes and Charges (consolidated text in Dz.U. of 2006, No. 121, item 844, as amended), by virtue of which a definition of building structures was introduced into the Act on Local Taxes and Charges by reference to the provisions of construction law (e.g. the judgements of the Provincial Administrative Court in Wrocław of 14 April 2008 and of 16 May 2007). The issue of charging real estate tax on mining excavations and the building structures and equipment located in them is controversial in the light of applicable tax laws.

In view of the above and the fact that mining districts in Poland have undertaken measures aimed at encumbering mining companies with that tax, the Group has also calculated the amount of arrears with respect to real estate tax for other non-statute-barred periods and for all districts in which it conducts mining activities. The provision thus calculated, an amount of PLN 51,124,000, is disclosed in the books of account as at 30 September 2009 (as at 30 September 2008: PLN 38,146,000).

For the purposes of calculating real estate tax on mining excavations, the value of fixed assets recorded in the fixed asset account in group 2 (land and water engineering structures), subgroup 20 (complex building structures in industrial areas), type 200 (building structures for mining) is taken into account, with the exception of selected fixed assets.

The amount of potential tax arrears plus interest on account of real estate tax is changed for every day of potential delay in the payment of the tax in question.

Please also note that in December 2008 a government draft amendment to the Mining and Geological Law was put before the Sejm (the lower chamber of Polish parliament). The draft provides that "underground mining excavations and the installations and equipment that they contain are not building structures or construction devices in the meaning of the provisions of construction law". If an amendment to the act is adopted in this form, it will settle the issue of whether mining excavations should be subject to real estate tax, though this would only be effective in the future. The ministerial justification for the amended provisions states that the proposed change results from the inconsistency of past judgements and practice relating to charging real estate tax on mining excavations and the building structures and devices located in them. However, it does not refer to the issue of taxation or its absence until the moment when the amended laws are introduced. As at the date when this Report was submitted, the draft is being considered by the extraordinary subcommittee for considering the government draft of the Mining and Geological Law.

8.3.2 Risk of a change in the law and its interpretation and application

The provisions of law in Poland are frequently changed. Interpretations of the law and the way in which it is applied are also changed. Laws can be changed to companies' advantage, but changes can also have adverse consequences. Changing laws and varying interpretations, particularly with regard to tax law, geological and mining law, the law governing business activity, labour and social security law and the law relating to securities, could have adverse consequences for the Company. Particularly frequent are interpretational changes in tax laws. There is no consistency in the practice of tax authorities or in case law relating to taxation. If tax authorities adopt an interpretation of tax law which differs from that adopted by the Company or if the Mining Law introduces new requirements to be imposed on the Company, it could lead to a deterioration of its financial situation and as a result negatively affect its results and development prospects.

9. PROCEEDINGS PENDING BEFORE A COURT, THE RELEVANT AUTHORITY FOR ARBITRATION PROCEEDINGS OR A PUBLIC ADMINISTRATION AUTHORITY

As at the date of submitting this Report, the Company has no information on any proceedings pending before a court, the relevant authority for arbitration proceedings or a public administration authority in which LW BOGDANKA S.A. or its subsidiary is a party, concerning:

- liabilities or claims of LW BOGDANKA S.A. or its subsidiary worth at least 10% of LW BOGDANKA S.A.'s shareholders' equity;
- two or more proceedings concerning liabilities or claims worth a total of at least 10% of LW BOGDANKA S.A.'s shareholders' equity.

10. TRANSACTIONS WITH AFFILIATED UNDERTAKINGS

In the third quarter of 2009, the Company and its subsidiaries did not conclude any significant transactions with affiliated undertakings which were individually or jointly significant and were concluded on terms other than market terms.

Information on the transactions of LW BOGDANKA Capital Group with companies affiliated with the State Treasury is set out in Section 10 of the consolidated abridged quarterly financial statements of the LW BOGDANKA Capital Group for the third quarter of 2009.

11. INFORMATION ON THE COMPANY OR ITS SUBSIDIARY GRANTING SURETIES FOR A CREDIT FACILITY OR LOAN OR GRANTING GUARANTEES

In the third quarter of 2009, neither Lubelski Węgiel BOGDANKA S.A. nor its subsidiary granted sureties for a credit facility or loan and they did not grant guarantees jointly to a single entity or a company dependent on that entity worth the equivalent of at least 10% of the Company's shareholders' equity.

12. OTHER INFORMATION WHICH IN THE OPINION OF THE MANAGEMENT BOARD IS SIGNIFICANT FOR ASSESSING THE EMPLOYEES, ASSETS, FINANCIAL STANDING AND FINANCIAL RESULT AND CHANGES THERETO AND INFORMATION WHICH IS SIGNIFICANT FOR ASSESSING THE POSSIBILITY OF LW BOGDANKA S.A. SETTLING ITS LIABILITIES

12.1 Headcount

Since 2007 LW BOGDANKA S.A. has been systematically recruiting new employees. As at 30 September 2009 the headcount at the Company was 3,804 persons. It is the Company's priority to ensure an appropriate, in relation to the production capacities held, level of personnel resources. The increased employment is noted as part of the extension of mines (the Stefanów Field) and the Mechanical Coal Processing Plant as well as the process of acquisition of retirement benefits by the existing employees (by 2015 it will be about 30% of employees, mostly those working underground). Furthermore, the mining regulations require that persons employed at mining plants in operation possess specific qualifications, which may be obtained, among others, only after a several years of service.

12.2 Incentive programme

On 27 November 2008, an understanding was signed between Lubelski Węgiel BOGDANKA S.A. and all the trade union organisations operating in the Company – the so-called Incentive Programme, which came into force after the Company's shares were introduced to trading on the WSE (i.e. from 26 June 2009).

Under the Incentive Programme, within three months from the first quotation of rights to series C shares on the regulated market conducted by the WSE, entitled persons had the right to a one-off award in the total amount of PLN 36,000,000.

As a result of signing the Incentive Programme, Lubelski Węgiel BOGDANKA S.A. undertook also to annually analyse the possibility of carrying out an additional write-off to the company social benefits fund in an amount not lower than in 2008 and consented to contribute PLN 5,000,000 to that fund in 2009.

On 30 July 2009, the Trade Unions adopted the final text of "Rules for Distributing the Bonus Resulting from the Incentive Programme", which defined the principles for distributing the bonus among individual groups of entitled persons and the deadline for paying it, i.e. 25 September 2009.

In the consolidated abridged financial statements of the LW BOGDANKA Capital Group for the first half of 2009, a provision was created in the amount of PLN 36,000,000 for paying a one-off bonus, as well as a provision in the amount of PLN 2,500,000 to increase the Company Social Benefits Fund. The provisions were charged to the costs of manufacturing products sold, administrative costs and sales costs.

The above-mentioned provisions were released in the third quarter of 2009 in connection with the payment of the one-off bonus on 25 September 2009 and making payments to employees for social purposes in the total amount envisaged by the Incentive Programme, i.e. PLN 5,000,000.

12.3 Fulfilment of the objectives of the issue/how the proceeds from the issue of series C shares will be used

The purpose of the issue of series C shares was for the Company to obtain funds to finance the completion of selected key investment tasks being implemented as part of an investment programme commenced in previous years (starting from 1999) associated with increasing the production capacities of LW BOGDANKA S.A. with regard to the production of power coal by enlarging the Stefanów Field, which was previously financed from the Company's own funds.

Investments associated with completing the construction of the Company's technical infrastructure enabling new production capacities to be started up include the following objectives, as described in the Issue Prospectus, which we plan to carry out in the period 2009-2010 and, with regard to increasing the processing capacities of the Mechanical Coal Processing Plant, in 2009-2011:

- Construction of the 2.1 drawing and ventilation shaft;
- Extension of the Mechanical Coal Processing Plant, including:
 - a) increasing the processing capacity of the Mechanical Coal Processing Plant from the current level of 1,200 t/h to 2,400 t/h;
 - b) Construction of a system for transporting excavated material from the Stefanów Field to the Mechanical Coal Processing Plant;
 - c) Enlargement of the coal yard;
- Other investments in the technical infrastructure of the Stefanów Field, including:
 - a) Construction of building structures for the Stefanów Field;
 - b) Air-conditioning for the underground part of the Mine;
- Extension of the track system for Bogdanka station.

By the date of submitting this Report, the Company had started up tender procedures relating to investments tasks such as constructing pits in the Stefanów Field, extending the Mechanical Coal Processing Plant, constructing a system for hauling excavated material from shaft 2.1 in the Stefanów Field to the Mechanical Coal Processing Plant in the Bogdanka field, constructing individual technological facilities in the Stefanów Field (a tower for shaft 2.1 and a shaft top building for shaft 2.1, and a STR-M2.1 6/05/04 kV transformer and distributor station in the hoisting machine building).

Tender procedures for execution of investment tasks connected with construction of a main ventilator station and performance of mining excavations in the Stefanów Field were completed. Tenders closest to completion (in the course of appeal procedures) are those for constructing a system for hauling excavated material from the Stefanów Field to the Mechanical Coal Processing Plant in the Bogdanka field and for constructing a tower for shaft 2.1 and a shaft top building for shaft 2.1. In the procedure for awarding a public procurement contract for extending the Mechanical Coal Processing Plant Lubelski Węgiel Bogdanka S.A. shall chose the best tender by the end of November this year, however, we should assume a big probability of extension of the tender procedure in connection with the Contractors participating therein taking advantage of available legal remedies (protest, appeal).

The settlement of the above-mentioned tenders will lead to the start-up of a successive process (starting from the fourth quarter of 2009) of using the funds obtained by LW BOGDANKA S.A. from the public offering of C series shares.

Due to the issue of series C shares, the Company has generated income at the level of PLN 528,000,000 (after incorporating costs of issue, the KW BOGDANKA's income amounted to PLN 521,051,000). The proceeds from the issue of the Company shares will allow it to finance, except for investment tasks specified in the Issue Prospectus (objectives of the issue), additional projects, i.e. performance of mining excavations in the Stefanów Field, construction of storage silos in the Stefanów Field as well as the purchase of a coal mine face complex.

12.4 Conclusion of an agreement with PRS WSCHÓD Sp. z o.o.

On 21 August 2009 the Company signed an agreement with Przedsiębiorstwo Robót Specjalistycznych WSCHÓD Sp. z o.o. (PRS WSCHÓD) with registered office in Lublin, which covers execution by PRS WSCHÓD of mining works involving performance of mining pits in the Stefanów Field of Lubelski Węgiel BOGDANKA S.A. The maximum value of the agreement, excl. VAT, is about PLN 54 million. The final deadline for execution of the agreement was set at 31 January 2012.

The Company notified of the conclusion of the above-mentioned agreement in Current Report No. 26/2009 dated 21 September 2009.

12.5 Conclusion of agreements with Elektrownia Kozienice S.A.

On 3 August 2009, the Company and Elektrownia Kozienice S.A. signed the following agreements and annexes to agreements amending the existing principles of cooperation:

1. A new annual agreement on supplying coal in 2010, updating the volume, schedule and value of coal sales. The agreement will be applicable from 1 January 2010 to 31 March 2011. Deliveries will commence after the completion of the deliveries provided for in the annual agreement on supplying coal in 2009. In connection with the performance of that agreement, LW BOGDANKA S.A. expects to generate net revenues of approx. PLN 643.31 million (+/-1%), according to the quality parameters for power coal declared in the agreement (without secondary quality settlements).
2. Annex No. 1 to the Long-Term Agreement, which extends its term by three months, i.e. to 31 March 2011.
3. Annex No. 2 to the annual agreement on supplying power coal for 2009, which extends its term by three months, i.e. to 31 March 2010, and will be effective from 1 July 2009 to 31 March 2010. That annex contains an updated schedule of deliveries in the second half of 2009 and in the first quarter of 2010 and a reduction of the price of coal relative to the previous

agreed price of 4.55%. As a result of the conclusion of Annex 2, the Company's revenues from deliveries of coal to Elektrownia Kozienice S.A. carried out from the date when the Company's securities were admitted to stock exchange trading (i.e. 22 June 2009) to the end of the term of the annual agreement on supplying power coal for 2009 will amount to approx. PLN 385.15 million net.

The Company notified of the conclusion of the above-mentioned agreements in Current Report No. 21/2009 dated 3 August 2009.

12.6 Submission of a bid for the acquisition of shares of Zakład Ceramiki Budowlanej Markowicze S.A.

In response to a public invitation of the Ministry of State Treasury concerning the sale of shares of Zakład Ceramiki Budowlanej Markowicze S.A., LW BOGDANKA S.A. submitted a preliminary bid and was admitted by the Ministry to the next stage of privatisation process, entailing due diligence of the Company. The offer covers the purchase of a block of 765,000 shares of a joint stock company ZCB Markowicze S.A. making 85 % of its share capital.

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD

Name and surname	Position Function	Date	Signature
Mirosław Taras	President of the Management Board	9 November 2009	
Krystyna Borkowska	Vice-President for Economic and Financial Affairs	9 November 2009	
Zbigniew Stopa	Vice-President for Technical Affairs	9 November 2009	
Waldemar Bernaciak	Vice-President for Commerce and Logistics	9 November 2009	
Janusz Chmielewski	Member of the Management Board	9 November 2009	