

Presentation of financial results for 1H 2010

Warsaw, August 2010



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KEY INFORMATION ABOUT LW BOGDANKA

Hard coal market

LW Bogdanka in 1H 2010

Development strategy and investment goals

Appendices

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- One of the **largest** and most **state-of-the-art hard coal mines** in Poland
 - Producer of power coal used for production of electricity
 - **Recoverable resources: 251.3 million metric tonnes** of coal (current licence ensures the mine's life until 2034)
 - **Good geographic location** (Lublin Coal Basin) for major customers (location bonus) and **good natural conditions** (low reclamation costs, regular geological structure and low threat of crumps and methane explosions)
 - **Cutting-edge technologies** and world-class machinery used in the process of hard coal extraction – **low failure rate**, no unscheduled stoppages, and **extraction efficiency**
 - **Experienced Management Board** working for many years in the hard coal industry
-
- **Much higher coal extraction efficiency than the average of the industry** in Poland:
 - general efficiency in 1H 2010: **266.93%** of the industry average (249.86% in 1Q 2010)
 - underground efficiency in 1H 2010: **293.70%** of the industry average (284.66% in 1Q 2010)



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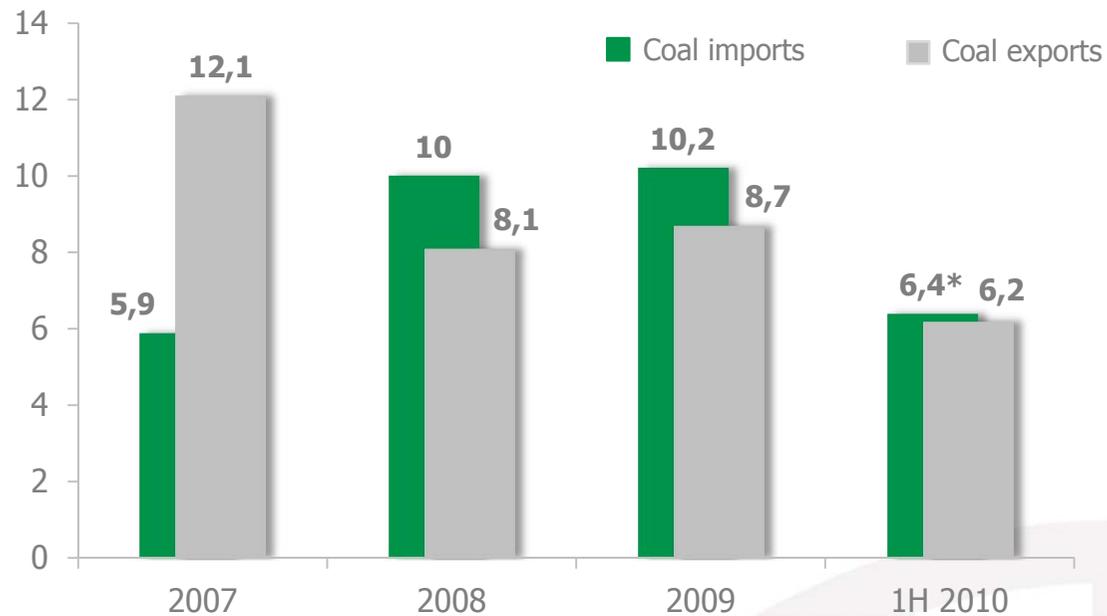
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- In the Company's opinion, currently the terms of coal trade are stabilising and no price pressure is observed as it was the case in 2009.
- The increase in coal prices in Poland continues to be limited by a high supply of coal on the part of the Company's competitors, which is a result of high level of previous years' stock. There are conditions for a slight increase in contractual prices in 2011.
- Situation of Silesian companies:
 - Extraction of hard coal in the Silesian companies in 1H 2010 was 34.7 million tonnes and was lower by 3.9% than extraction obtained in the same period of 2009. Extraction of power coal decreased by 11.3%, while the extraction of coke coal increased by 61.7%.
 - Stock of hard coal in mines as at the end of June 2010 was 5.9 million tonnes (which represents an increase over the end of June 2009 by 3.9 thousand tonnes).
 - Sales of coal in the first half of 2010 amounted to 32.86 million tonnes, which, compared to 31.16 million tonnes in the same period of 2009, represents an increase by 5.4%.
 - An average unit cost of coal production in the period of January-June 2010 in the hard coal sector was PLN 263.64 /tonne and was higher compared to the analogous period of 2009 by PLN 4.10/tonne (i.e. by 1.6%).



Imports vs. Exports



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

* Data for imports in 1H 2010 – company estimates based on imports in Jan. - May 2010



Total cost of importing a tonne of coal from ARA ports

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



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

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Key events at LW Bogdanka in 1H 2010



- In March 2010 Polish pension funds purchased a 46.7% stake in LW Bogdanka from the State Treasury for over PLN 1 billion, thus making LW Bogdanka a private company.
- In the first half of 2010, the Bogdanka LW Group completed investments in fixed assets with the total value exceeding PLN 351.5 million.
- The initial stage of the test launch of a new coal-ploughing complex intended for the exploitation of lower deposits of coal was completed in late March 2010. At the end of June, the launched coal-ploughing complex achieved a yield of more than 10,000,000 tonnes per day (contractually guaranteed), which means an increase in the commercial coal yield by approx. 7%.
- On 25 August 2010, the Company has reached a record level of daily yield of 16,894,000 tonnes from the panel excavated by the newly-launched ploughing system.
- During the first half of 2010, production of commercial coal was 13% higher than in the same period of 2009 (with a gross extraction at the same level as in 1H 2009). This was attributable to introduction of longwall coal ploughing technology and to better geological characteristics of the deposit under mining and the development and improvement of solutions for initial separation of waste rock from the material underground.



Financial data - 1H 2010



(PLN '000)	1H 2010	1H 2009	Change (%)
Revenue	578,099	520,795	11.00%
Gross profit	183,103	159,620	14.71%
EBITDA	194,709	173,695	12.10%
EBIT	126,638	104,546	21.13%
Net profit	106,920	83,538	27.99%

	1H 2009	1H 2010
Earnings per share (PLN)*	PLN 3.62	PLN 3.12

* Basic earnings per share, calculated as the quotient of the profit attributable to the company's shareholders and the weighted average number of ordinary shares during the quarter, consolidated data.



Profit and loss account



(PLN '000)	1 H 2009	1H 2010	Change (%)
Revenue	520,795	578,099	+11.00%
Cost of products, goods and materials sold, sales and administrative costs	417,237	446,617	+7.04%
Gross profit on sales	103,558	131,482	+26.96%
Other revenue	2,569	2,251	-12.38%
Other costs	1,104	1,745	+58.06%
Operating profit (loss) net	104,546	126,638	+21.13%
EBIT margin (%)	20.07%	21.91%	-
EBITDA	173,695	194,709	+12.10%
EBITDA margin (%)	33.35%	33.68%	-
Financial income	4,830	12,869	+166.44%
Financial costs	5,535	6,664	+20.40%
Profit before tax	104,233	132,819	+27.43%
Income tax	20,695	25,899	+25.15%
Net profit	83,538	106,920	+27.99%
Net profit margin (%)	16.04%	18.50%	-
Profit attributable to company's shareholders	83,413	106,208	+27.33%

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Balance sheet

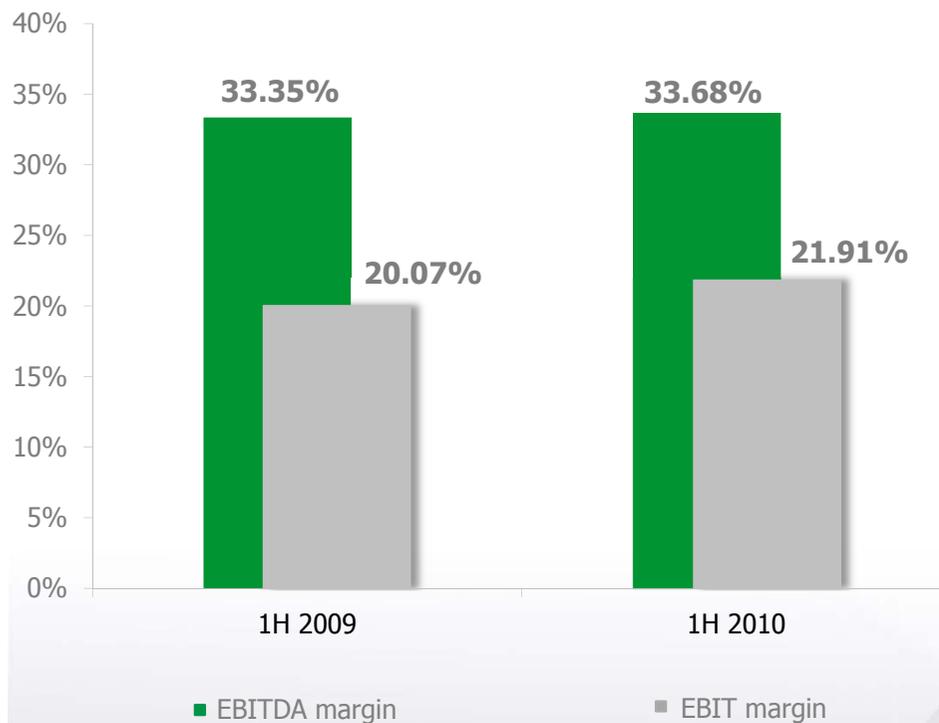


(PLN '000)	31.12.2009	30.06.2010
Fixed assets, of which:	1,617,528	1,899,369
Cash and cash equivalents	46,158	47,351
Current assets, of which:	852,286	771,001
Cash and cash equivalents	681,659	577,170
Total assets	2,469,814	2,670,370
Current liabilities	253,138	348,840
Non-current liabilities	477,779	475,713
Total liabilities	730,917	824,553
Equity	1,738,897	1,845,817
Current loans	-	6,000
Non-current loans	250,000	244,000

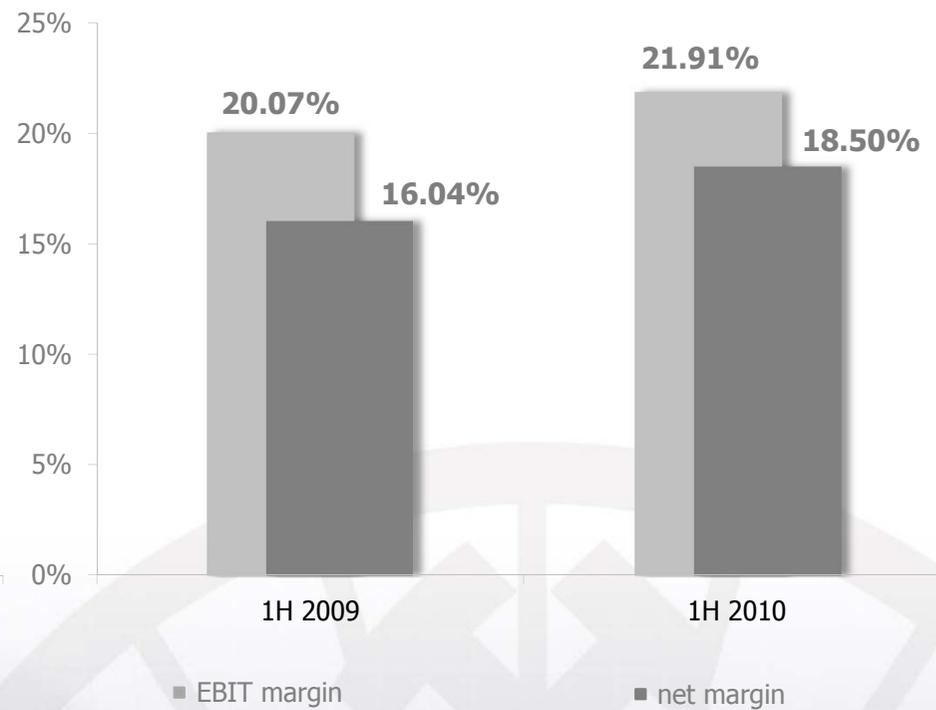


Profitability ratios

EBITDA and EBIT margins



EBIT and net margins



Sales structure

(PLN '000)	1H 2009	share %	1H 2010	share %
Coal sales	499,737	95.95%	559,914	96.86%
Sales of ceramics	5,721	1.10%	3,535	0.61%
Other activities	13,635	2.62%	10,700	1.85%
Sales of goods and materials	1,702	0.33%	3,950	0.68%
Total sales revenue	520,795	100.00%	578,099	100.00%

	1H 2009	1H 2010	Change
Production of commercial coal ('000 tonnes)	2,479.80	2,815.86	13.55%
Inventories ('000 tonnes) – as of 30.06.2010	156.66	149.02	- 4.87%

- The majority of sales (about 89%) are made under long-term trade agreements with permanent customers, primarily Elektrownia Kozienice S.A., GDF Suez Energia SA (former Elektrownia Połaniec S.A.), ZA Puławy S.A., Energa Elektrownie Ostrołęka S.A.
- The level of stock recorded at the end of the 1st half is a standard stock level, allowing the current sales to be secured, representing operational technological stock with a current daily extraction of about 18,000 tonnes/day.



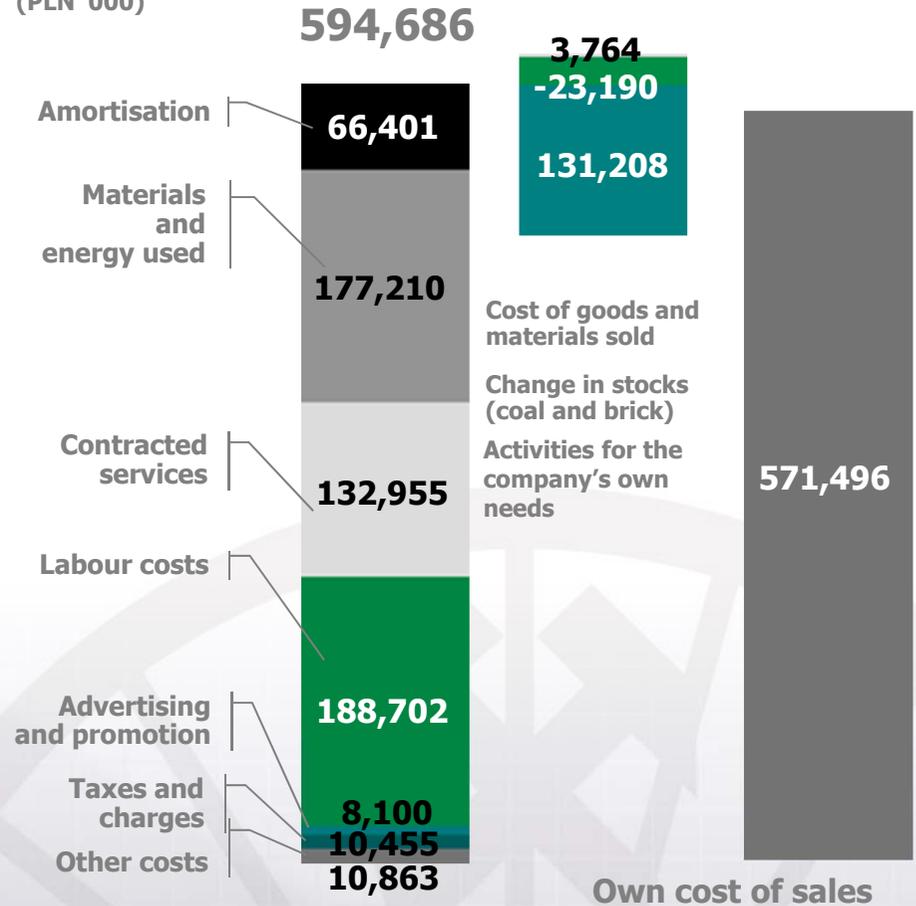
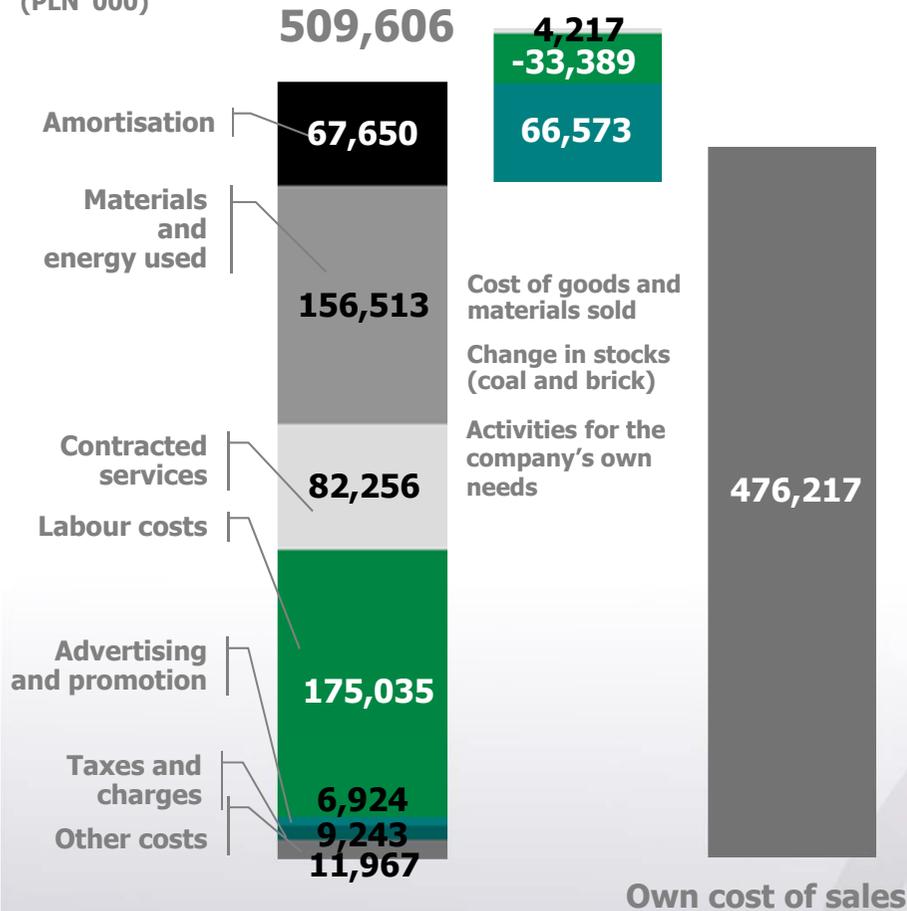
Structure of costs by type at LW Bogdanka

1H 2009

1H 2010

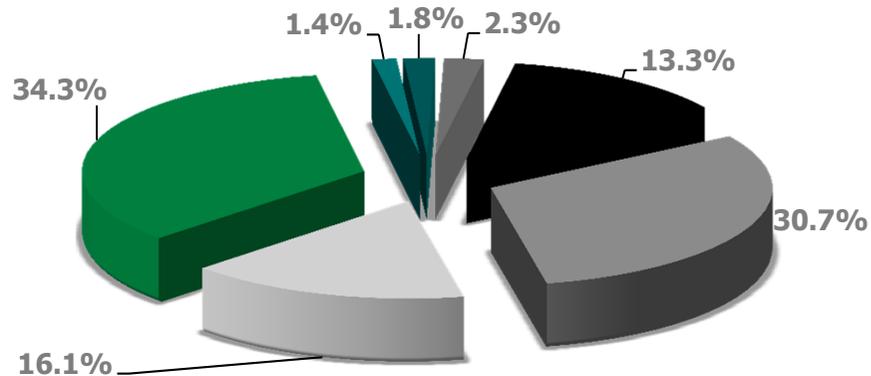
Costs by type
(PLN '000)

Costs by type
(PLN '000)

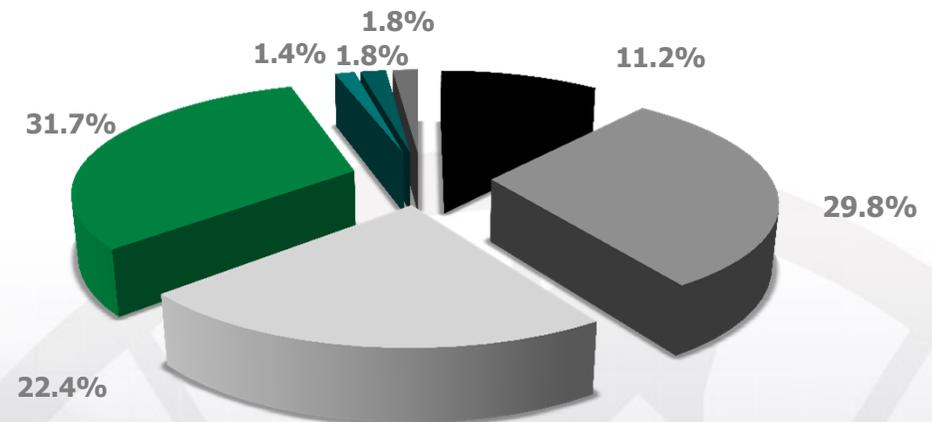


Structure of costs by type at LW Bogdanka

1H 2009



1H 2010



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



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DEVELOPMENT STRATEGY AND INVESTMENT GOALS

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



gaining access to new reserves and increasing the level of coal extraction – extension of the Stefanów Field



maintaining a stable position as the main supplier of coal in eastern Poland, particularly for the commercial power industry



strengthening its competitive position by cutting the unit costs of extraction and production

Strategic goals

- Doubling extraction (by 2014) – thus doubling market share
- Improving the efficiency of coal extraction and production
- Ensuring that LW Bogdanka S.A. is self-sufficient in its electricity supply
- Environmental protection measures



Investment expenditures in 2010

Key material investments of the LW BOGDANKA Group in the first half of 2010

(PLN '000)	Key material investments 1H 2010
Construction and installation works	158,213
Delivery completion and purchases of fixed assets	192,118
Other	1,104
Advances toward fixed assets under construction	39
Total	351,474

Key material investments of the LW BOGDANKA Group in the first half of 2009 – 175,763 (PLN '000)

Expenditures planned in 2010 – 934,322 (PLN '000)



Achievement of issue goals in 1H 2010

In the 1st half of 2010 the company spent PLN 58,988,000 of proceeds from the issue of Series C shares to carry out the following investment tasks:

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



Thank you



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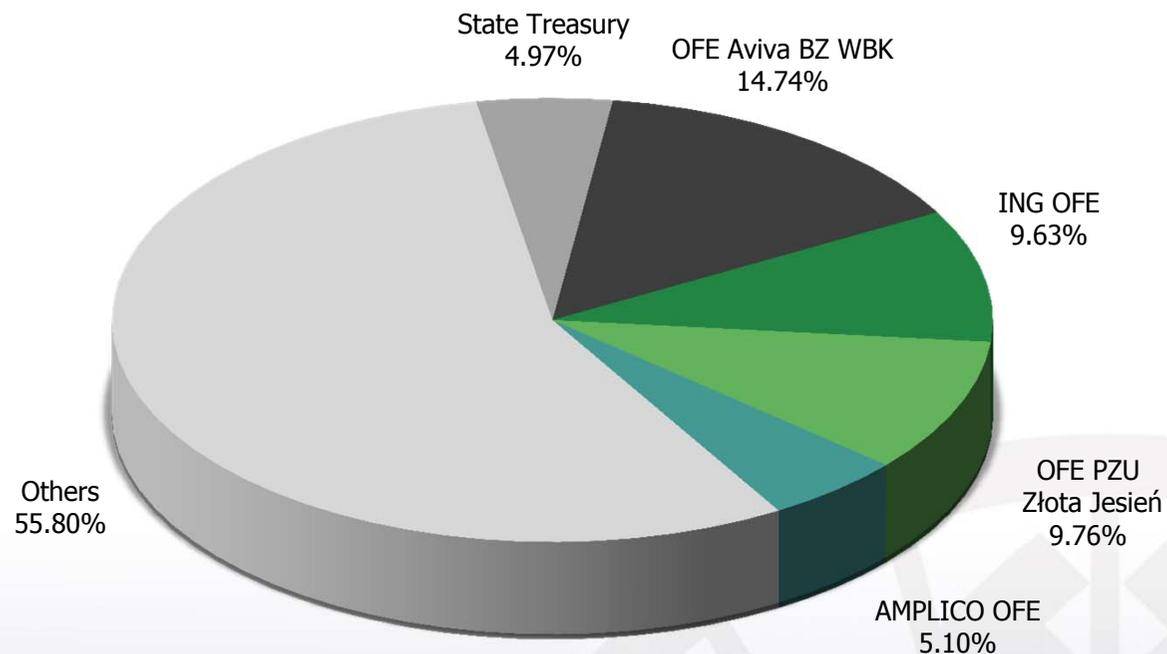
APPENDICES

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Shareholding structure

■ Shareholding structure of LW Bogdanka as of 31 August 2010



Competitive edge

NATURAL CONDITIONS

- **location bonus** – good geographic location for major customers (transport cost is a significant component of the price of coal)
- **low land reclamation cost** – coal extraction under areas of low urbanisation (farmland)
- **efficiency and continuity of extraction process** – regular geologic structure
- **extraction safety** – no threats of crumps, gas or rock eruptions, and low level of threat of methane explosion

TECHNOLOGY

- **cutting-edge technologies** and world-class machinery used in the process of hard coal extraction – **low failure rate**, no unscheduled stoppages, and **extraction efficiency**
- **environmental safety of the mine** – ISO 14001 environmental certificate

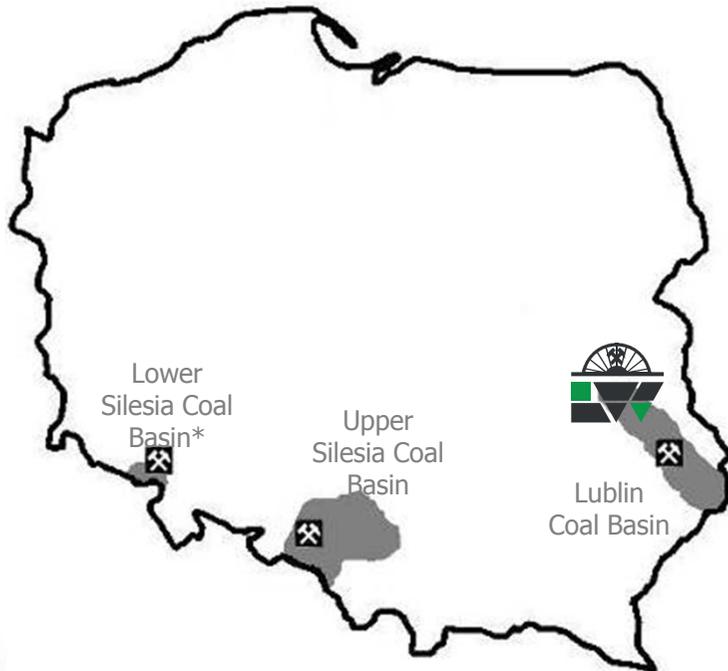
ORGANISATION

- **experienced Management Board** composed of persons working for many years in the hard coal industry
- **motivational system of staff work organisation**
- **mine innovativeness** – a number of innovative solutions enhancing extraction efficiency
- **seven-time winner** in Polish Academy of Sciences competition for the best mine in Poland



Mining companies in Poland

Hard coal mine sector in Poland



* coke and anthracite coal (extraction discontinued in 2000)



2 coal basins:

- ❑ Lublin region – power coal
- ❑ Upper Silesia – power coal and coke coal



32 working mines, including:

- ❑ Lubelski Węgiel BOGDANKA S.A. – 1 mine
- ❑ Kompania Węglowa S.A. – 16 mines
- ❑ Jastrzębska Spółka Węglowa S.A. – 6 mines
- ❑ Katowicka Grupa Kapitałowa – 6 mines
- ❑ Południowy Koncern Węglowy S.A. (Tauron Group) – 2 mines
- ❑ Siltech Sp. z o.o. – 1 mine

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

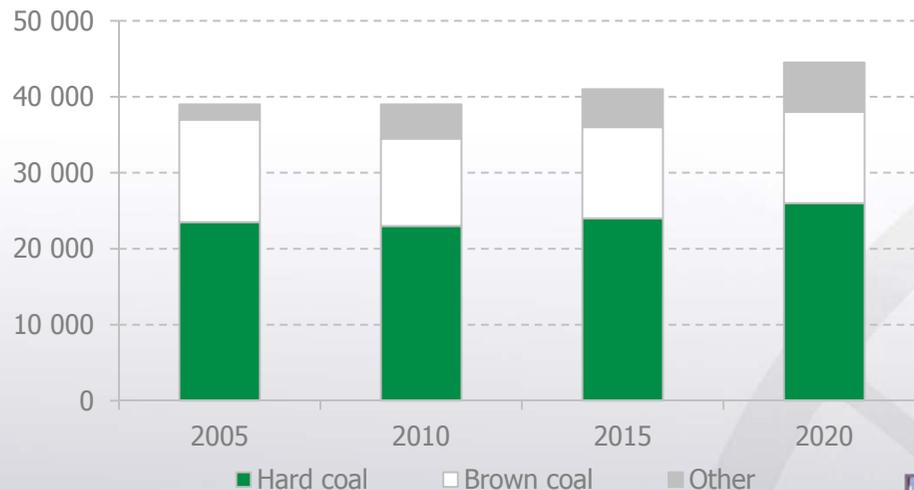


Hard coal – main power source

- ➔ Almost 90% of electricity produced in Poland is produced from coal, mainly hard coal (56.07%).
- ➔ Forecast stable and long-term demand for coal:
 - planned new power blocks* (16.3 GW – 33.4 million tonnes of coal)
 - no effective alternative sources (until 2020)
 - increase in demand for power contained in initial power carriers, including coal, by about 21% by 2030
 - majority of coal extracted in Poland is power coal (power coal 82.36%/coke coal 17.64%)

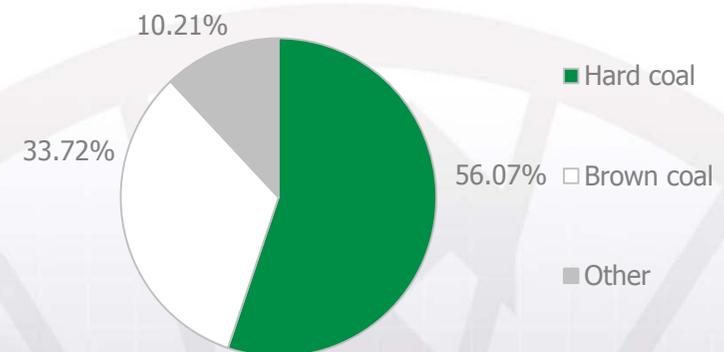
**Sources: International Energy Agency, Ministry of Economy, PGE, PKE, ZA Puławy, press reports*

Forecast consumption of fuels for power production in Poland



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

Structure of power production in Poland, 1H 2010



Source: Polskie Sieci Elektroenergetyczne Operator S.A.

