The Lubelski Węgiel BOGDANKA Group

Condensed Interim Consolidated Financial Statements

for the period of six months ended 30 June 2013

Table of Contents of the Condensed Interim Consolidated Financial Statements

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) 3

INTERIM CONSOLIDATED INCOME STATEMENT 4

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 5

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 6

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS 7

NOTES ON THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS 8

1. General information 8
   1.1 The composition of the Group and the object of the Group's business 8
   1.2 Assumption of the Company going concern 9
2. Description of key accounting principles applied 9
   2.1 Basis of preparation 9
3. Information on business segments 16
4. Information regarding seasonality 16
5. Property, plant and equipment 17
6. Intangible assets 18
7. Share capital 19
8. Other capitals 19
9. Grants 19
10. Loans and borrowings 19
11. Employee benefits liabilities 20
12. Provisions for other liabilities and charges 22
13. Unusual events affecting the financial result 23
14. Income tax 24
15. Earnings per share 24
16. Dividend per share 25
17. Financial instruments 25
18. Net cash inflow from operating activities 26
19. Contingent items 26
20. Future contractual liabilities 27
21. Information on remuneration of the Management Board and the Supervisory Board 27
22. Events after the balance-sheet date 27
23. Approval of the Condensed Interim Consolidated Financial Statements 28

Interim Consolidated Statement of Financial Position (Balance Sheet)

	Note	30 Jun. 2013	31 Dec. 2012
Assets			
Non-current assets			
Property, plant and equipment	5	3,031,589	2,969,791
Intangible assets	6	24,241	23,116
Deferred tax assets		1,767	1,890
Trade and other receivables		1,346	825
Financial instruments		4,848	-
Cash and cash equivalents		68,830	68,031
		3,132,621	3,063,653
Current assets			
Inventories		102,781	55,383
Trade and other receivables		263,323	238,605
Overpaid income tax		177	6,964
Financial instruments		619	-
Cash and cash equivalents		151,894	120,551
		518,794	421,503
TOTAL ASSETS		**3,651,415**	**3,485,156**
Equity			
Equity attributable to owners of the Parent			
Ordinary shares	7	301,158	301,158
Other capital	8	1,462,886	1,345,888
Retained profits		491,320	639,335
		2,255,364	2,286,381
Non-controlling interests		**10,283**	**9,993**
Total equity		**2,265,647**	**2,296,374**
Liabilities			
Non-current liabilities			
Loans and borrowings	10	281,000	421,000
Deferred tax liabilities		90,993	75,051
Employee benefits liabilities	11	170,560	152,111
Provisions for other liabilities and charges	12	96,355	89,861
Grants	9	16,640	18,122
Trade and other liabilities		17,757	16,963
		673,305	773,108
Current liabilities			
Loans and borrowings	10	156,850	20,000
Employee benefits liabilities	11	49,181	40,557
Provisions for other liabilities and charges	12	45,742	45,998
Current tax liabilities		2,343	-
Trade and other liabilities		285,243	309,115
Financial liabilities		3	-
Grants		988	-
Dividend payable		172,113	4
		712,463	415,674
Total liabilities		**1,385,768**	**1,188,782**
TOTAL EQUITY AND LIABILITIES		**3,651,415**	**3,485,156**

Interim Consolidated Income Statement

	Note	For the 6 months ending on June 30	
		2013	**2012 restated***
Revenue		878,904	906,538
Costs of products, goods and materials sold		(624,341)	(603,693)
Gross profit		**254,563**	**302,845**
Selling cost		(21,087)	(20,013)
Administrative costs		(45,748)	(42,586)
Other income		1,908	1,568
Other expenses		(542)	(443)
Other losses - net		(938)	(27,023)
Operating profit		**188,156**	**214,348**
Finance income		2,904	5,666
Finance cost		(9,085)	(9,335)
Net finance cost		(6,181)	(3,669)
Pre-tax profit		**181,975**	**210,679**
Income tax		(39,941)	(39,602)
Net profit for the period		**142,034**	**171,077**
including:			
- attributable to owners of the Parent		141,744	170,690
- attributable to non-controlling interest		290	387
Income for the period		**142,034**	**171,077**
Earnings per share attributable to owners of the Parent during the year (in PLN per share)			
- basic	15	4.17	5.02
- diluted	15	4.17	5.02

* Explanation provided in note 2.1.

Interim Consolidated Statement of Comprehensive Income

	For the 6 months ending on June 30	
	2013	**2012 restated***
Profit for the financial year	**142,034**	**171,077**
Other comprehensive income		
Items not intended to be transferred to the profit/ loss		
Actuarial gains/ losses of defined benefit schemes	(6,270)	(3,602)
Income tax relating to non-transferrable items	1 191	684
Items not intended to be transferred to the profit/ loss - total	**(5,079)**	**(2,918)**
Items which may be transferred to the profit/ loss		
Cash flow hedges		
- Profit/(loss) for period	5,467	-
Income tax relating to transferrable items	(1,039)	-
Items which may be transferred to the profit/ loss - total	**4,428**	**-**
Other comprehensive income/ loss for the reporting period	**(651)**	**(2,918)**
Comprehensive income for the reporting period	**141,383**	**168,159**

* Explanation provided in note 2.1.

Interim Consolidated Statement of Changes in Equity

			Retained profits				
	Ordinary shares	**Other capital**	**Equity on valuation of cash flow hedges**	**Other retained profits**	**Total**	**Non-controlling interests**	**Total equity**
As at 1 January 2012	**301,158**	**1,261,013**	**-**	**570,896**	**2,133,067**	**9,579**	**2,142,646**
Total comprehensive income for the reporting period – restated*	-	-	-	167,772	167,772	387	168,159
- net profit	-		-	170,690	170,690	387	171,077
- other comprehensive income	-	-	-	(2,918)	(2,918)	-	(2,918)
Dividends concerning 2011	-	-	-	(136,054)	(136,054)	-	(136,054)
Transfer of the result for 2011	-	84,875	-	(84,875)	-	-	-
As at 30 June 2012	**301,158**	**1,345,888**	**-**	**517,739**	**2,164,785**	**9,966**	**2,174,751**
As at 1 January 2013	**301,158**	**1,345,888**	**-**	**639,335**	**2,286,381**	**9,993**	**2,296,374**
Total comprehensive income for the reporting period:	-	-	4,428	136,665	141,093	290	141,093
- net profit	-		-	141,744	141,744	290	142,034
- other comprehensive income	-	-	4,428	(5,079)	(651)	-	(651)
Dividends concerning 2012	-	-	-	(172,110)	(172,110)	-	(172,110)
Transfer of the result for 2012	-	116,998	-	(116,998)	-	-	-
As at 30 June 2013	**301,158**	**1,462,886**	**4,428**	**486,892**	**2,255,364**	**10,283**	**2,265,647**

* Explanation provided in note 2.1.

Interim Consolidated Statement of Cash Flows

	Note	For the 6 months ending on June 30	
		2013	**2012**
Cash flow from (used in) operating activities			
Cash flow from operating activities	18	337,111	409,863
Interest paid		482	(957)
Income tax paid		(14,936)	(51,442)
Net cash flow from (used in) operating activities		**322,657**	**357,464**
Cash flow from (used in) investing activities			
Acquisition of property, plant and equipment		(277,534)	(222,729)
Interest regarding investing activity		(6,519)	(7,299)
Acquisition of intangible assets		(1,991)	(219)
Inflow from the sale of property, plant and equipment		163	79
Interest received		1,389	3,612
Other net cash flow from (used) in investing activities		-	(1,999)
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund		(799)	(1,882)
Net cash flow from (used) in investing activities		**(285,291)**	**(230,437)**
Cash flow from (used in) financing activities			
Proceeds from loans and borrowings		-	100,000
Repayments of loans and borrowings		(5,000)	-
Interest paid regarding financial activity		(1,023)	-
Net cash flow from (used in) financing activities		**(6,023)**	**100,000**
Net increase in cash and cash equivalents		31,343	227,027
Cash and cash equivalents at beginning of period		120,551	102,820
Cash and cash equivalents at end of period		**151,894**	**329,847**

Notes on the Condensed Interim Consolidated Financial Statements

1. General information

1.1 The composition of the Group and the object of the Group's business

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

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

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

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

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

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

On 22 June 2009, pursuant to the decision of the Polish Financial Supervision Authority, Series A and C Shares and Rights to Series C Shares were admitted to public trading on the WSE's main market. On 25 June 2009, the Company made its debut on the WSE by introducing Rights to Series C Shares to trading. As a result of transactions effected in 2010 regarding the disposal of shares effected by the State Treasury, represented by the Minister of the State Treasury as well as transfer of shares on the basis of contracts on a free-of-charge disposal of shares for the benefit of eligible employees under the Act on Commercialisation and Privatisation, Lubelski Węgiel Bogdanka Spółka Akcyjna has lost the status of the Company owned by the State Treasury.

In accordance with resolution of the Management Board of the National Depository for Securities No. 74/13 of 24 January 2013, on 4 February 2013 the National Depository registered 34,754 shares of the Company and marked them with code PLLWBGD00016. On the same date 34,754 employee shares were introduced to the WSE. As at today, there are 135 registered series B shares outstanding.

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

The Company is the parent in the Lubelski Węgiel Bogdanka S.A. Group. The Group prepares condensed interim consolidated financial statements for the period of 6 months ended on 30 June 2013.

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

As at 30 June 2013, the Parent held 88.70% of shares in the capital of the subsidiary, Łęczyńska Energetyka Sp. z o.o.

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

The subsidiary - EkoTRANS Sp. z o.o., with registered office in Bogdanka, 21-013, Puchaczów.
As at 30 June 2013, the Parent held 100.00% of shares in the capital of the subsidiary, EkoTRANS Sp. z o.o.

EkoTRANS Sp. z o.o. provides services to the mine with respect to recovery of spoil arising during coal-associated shale cleaning and washing.

1.2 Assumption of the Company going concern

The condensed interim consolidated financial statements were prepared under the assumption of going concern in the foreseeable future and that there are no circumstances indicating any risk to the continuation of the Group's activities.

In the opinion of the Management Board of Lubelski Węgiel BOGDANKA S.A., there are currently no circumstances indicating any risk to continuation of the Group's activities.

2. Description of key accounting principles applied

These condensed interim consolidated financial statements follow the same accounting principles (policies) and calculating methods as the latest annual consolidated financial statements, except for:

- change in the accounting principles related to the amendments to IAS 19 "Employee benefits",
- financial instruments measured at fair value in accordance with IFRS 13.

Detailed data regarding the impact of application of IFRS 13 and amendments to IAS 19 on the condensed interim consolidated financial statements is disclosed in note 2.1.

2.1 Basis of preparation

These condensed interim consolidated financial statements of the LW Bogdanka Group for the first six months of 2013 were prepared in accordance with International Accounting Standard 34 – "Interim Financial Reporting."

In order to understand fully the Group's financial standing and the results of its operation, these condensed interim consolidated financial statements should be read in conjunction with the condensed interim financial statements of the Parent, Lubelski Węgiel Bogdanka S.A., for the period ended 30 June 2013. Those financial statements will be available on the Parent's website at www.lw.com.pl on the date conforming to the current report regarding the date for the provision of the Company's interim report and the Group's consolidated report for the period ended 30 June 2013.

These condensed interim consolidated financial statements were prepared according to the historical cost principle, including the valuation at fair value of certain components of property, plant and equipment in connection with assuming fair value as a deemed cost, which was carried out as at the day of the Group's transition to the IFRS, i.e. 1 January 2005.

Drawing up the condensed interim consolidated financial statements in accordance with IAS 34 requires the use of certain significant accounting estimates. It also requires that the Management Board exercises 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 2012.

These condensed interim consolidated financial statements were prepared using the same accounting principles for the current and comparative periods, with adjustment of the comparative period to comparable

conditions in order to reflect changes in the accounting principles and presentation adopted in the financial statements in the current period in connection with applying amendments to IAS 19" Employee Benefits."

a) *Standards, revisions and interpretations of existing standards which have been applied by the Group for the first time.*

The following amendments to the existing standards published by the International Accounting Standards Board and endorsed by the European Union come into force at the beginning of 2013:

- **Amendments to IAS 19 "Employee benefits"**

In June 2011, the International Accounting Standards Board published Amendments to IAS 19 "Employee Benefits." These amendments are effective to annual periods beginning on or after 1 January 2013, with earlier application being permitted. The amendments introduce new requirements with respect to recognition and measurement of the costs of post-employment defined benefit plans and additional requirements regarding termination benefits, as well as change the required disclosures for all employee benefits. The amendments to IAS 19 were endorsed by the European Union on 5 June 2012.

The Group applied the amendments to IAS 19 as of 1 January 2013 and recognises actuarial gains/losses arising from the measurement of post-employment defined benefit plans in other comprehensive income. Because of retroactive application of the amendments, the interim consolidated income statement and the interim consolidated statement of comprehensive income include restated data for the period ended 30 June 2012. The interim consolidated statement of changes in equity was changed accordingly. The changes had no impact on the consolidated statement of financial position as at 31 December 2012.

The condensed interim consolidated financial statements for the first 6 months of 2012 were restated to the conditions applicable currently based on the actuarial valuation prepared by an actuary.

The impact of application of the amendments to IAS 19 on the interim consolidated income statement and the interim consolidated statement of comprehensive income for the period ended 30 June 2012 is presented in the tables below:

Interim Consolidated Income Statement

	Data for 6 months ended 30 June 2012 – approved data	**Adjustment following from application of amendments to IAS 19**	**Data for 6 months ended 30 June 2012 – restated data**
Revenue	906,538	-	906,538
Cost of products, goods and materials sold	(605,093)	1,400	(603,693)
Gross profit	**301,445**	**1,400**	**302,845**
Selling costs	(20,021)	8	(20,013)
Administrative costs	(42,711)	125	(42,586)
Other income	1,568	-	1,284
Other costs	(443)	-	(443)
Other losses - net	(27,023)	-	(27,023)
Operating profit	**212,815**	**1,533**	**214,348**

Finance income	5,666	-	5,666
Finance cost	(5,123)	(4,212)	(9,335)
Net finance cost	543	(4,212)	(3,669)
Profit before taxation	**213,358**	**(2,679)**	**210,679**
Income tax	(40,111)	509	(39,602)
Net profit for the period	**173,247**	**(2,170)**	**171,077**

Interim Consolidated Statement of Comprehensive Income

	Data for 6 months ended 30 June 2012 – approved data	**Adjustment following from application of amendments to IAS 19**	**Data for 6 months ended 30 June 2012 – restated data**
Net profit for the period	**173,247**	**(2,170)**	**171,077**
Other comprehensive income			
Actuarial gains/ losses of defined benefit schemes	-	(3,602)	(3,602)
Income tax relating to non-transferrable items	-	684	684
Items not intended to be transferred to the profit/ loss	-	(2,918)	(2,918)
Comprehensive income for the reporting period	**173,247**	**(5,088)**	**168,159**

- **IFRS 13 "Fair Value Measurement"** (applicable to annual periods beginning on or after 1 January 2013), published by the International Accounting Standards Board on 12 May 2011, and endorsed by the European Union on 11 December 2012. IFRS 13 defines fair value, includes guidance for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not change, however, the requirements in respect of what elements should be measured or disclosed at fair value.

  IFRS 13 *Fair Value Measurement* sets out a single framework for measuring fair value and for disclosures about fair value measurement where such measurement is required or allowed under another IFRS. In particular, it provides for a single definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
  The standard also replaces and extends the requirements for disclosures about fair value measurement contained in other IFRS, including IFRS 7 *Financial Instruments: Disclosures*. As presentation of certain information

within the above scope became obligatory in interim financial statements, the Group made relevant disclosures in note 17 to these condensed interim consolidated financial statements.
Implementation of IFRS 13 provisions had no impact on the principles for measuring assets and liabilities as used by the Group to date, and consequently on the level of such measurements.

- **Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards"** – hyperinflation and elimination of strict deadlines for the entities adopting IFRS for the first time (applicable to annual periods beginning on or after 1 January 2013), published by the International Accounting Standards Board on 20 December 2010, and endorsed by the European Union on 11 December 2012. . The first amendment concerns the reference to the fixed date of "1 January 2004" in the Standard and changes it to "the date of transition to IFRS." Consequently, first-time adopters of IFRS will not have to restate derecognition operations made before the date of transition to IFRS. The second amendment introduces guidance on re-application of IFRS following a period of inability to comply with IFRS because of severe hyperinflation of the functional currency.

  The introduction of amendments to IFRS 1 does not materially affect these condensed interim consolidated financial statements.

- **Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards"** – Government loans (applicable to annual periods beginning on or after 1 January 2013), published by the International Accounting Standards Board on 13 March 2011, and endorsed by the European Union on 4 March 2013. The amendment specifies how first-time adopters of IFRS should account for government loans with a below-market rate of interest at the time of transition to IFRS. The amendment also extends exemptions from retroactive application of IFRS to first-time adopters of IFRS analogously to exemptions made available to entities which currently prepare IFRS financial statements when that requirement was added in 2008 to IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance."

  The introduction of amendments to IFRS 1 for the first time does not materially affect these condensed interim consolidated financial statements.

- **Amendments to IFRS 7 "Financial Instruments: Disclosures"** – offsetting of financial assets and liabilities (applicable to annual periods beginning on or after 1 January 2013), published by the International Accounting Standards Board on 16 December 2011 and endorsed by the European Union on 13 December 2012. The amendments require disclosure of information about all recognised financial instruments that have been offset in accordance with paragraph 42 of IAS 32. The amendments also require disclosure of information about recognised financial instruments that give right to offsetting in accordance with a relevant agreement or similar arrangements, even if they have not been set off in accordance with IAS 32.

  The introduction of amendments to IFRS 7 does not materially affect these condensed interim consolidated financial statements.

- **Amendments to IAS 12 "Income Taxes"** – Deferred Tax: Recovery of Underlying Assets (applicable to annual periods beginning on or after 1 January 2013), published by the International Accounting Standards Board on 20 December 2010 and endorsed by the European Union on 11 December 2012. IAS 12 requires the entities to measure deferred tax assets depending on whether the entity plans to recover the asset through its use or sale. For assets measured in accordance with IAS 40 "Investment Property" the assessment whether such assets will be recovered through their use or sale may be difficult and subjective. The amendments solve that problem by making a presumption that the asset value is recovered usually upon its sale.

  During the Group's operations to date no activities of material value, described in the amendments to IAS 12, have occurred. The introduction of amendments to IAS 1 does not materially affect these condensed interim consolidated financial statements.

- **Amendments to IAS 1 "Presentation of Financial Statements"** – presentation of items of other comprehensive income (applicable to annual periods beginning on or after 1 July 2012), published by the International

Accounting Standards Board on 16 June 2011. The amendments require that entities preparing financial statements in accordance with IFRS present these items in other comprehensive income which may be transferred to the income statement. The amendments also reaffirm that items in other comprehensive income and income statement should be presented as either a single statement or two consecutive statements.

In accordance with amendments to IAS 1 "Presentation of Financial Statements" regarding presentation of items in "Other Comprehensive Income", the Group introduced, as at 1 January 2013, a modification with respect to presentation of income and other comprehensive income of the condensed interim consolidated financial statements in the form of two consecutive documents, i.e. consolidated income statement and consolidated statement of comprehensive income.

- **Amendments to various standards "Improvements to IFRS (2012)"** – amendments made under the annual IFRS improvements project and published on 17 May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34), primarily oriented at eliminating inconsistencies and specifying terminology, endorsed by the European Union on 27 March 2013 (applicable to annual periods beginning on or after 1 January 2013). The amendments specified more precisely the required accounting treatment in situations where previously freedom of interpretation was allowed. The most important are new or amended requirements regarding: (i) resumed application of IFRS 1, (ii) borrowing costs under IFRS 1, (iii) more precisely specified requirements regarding comparative information, (iv) classification of equipment for service purposes, (v) impact of income tax on distribution of equity instruments to owners, (vi) segment information on total assets and liabilities in interim financial statements.

  The introduction of amendments to various standards does not materially affect these condensed interim consolidated financial statements.

- **IFRIC 20 Interpretation "Stripping Costs in the Production Phase of a Surface Mine"** (applicable to annual periods beginning on or after 1 January 2013), published by the International Accounting Standards Board on 19 October 2011 and endorsed by the European Union on 11 December 2012. The Interpretation specifies that stripping costs in surface mining operations should be recognised as an addition to (or an enhancement of) an existing asset and depreciated over the anticipated useful life of the identified resources that become more accessible as a result of the stripping activity (using the unit of production method, unless another method is more appropriate).

  The Group does not conduct activities described in IFRIC 20. The costs of preparatory works at the Group have been disclosed in accordance with IFRIC 20.
  The introduction of interpretation of IFRS 20 does not materially affect these condensed interim consolidated financial statements.

b) Standards, revisions and interpretations of existing standards which are not yet effective and have not been previously applied by the Group.

Upon approval of these condensed interim consolidated financial statements, the Group was not applying the following standards, standard amendments or interpretations which were published and endorsed by the European Union for use within the European Union but which were not effective yet:

- **IFRS 10 "Consolidated Financial Statements"** (applicable to annual periods beginning on or after 1 January 2014), published by the International Accounting Standards Board on 12 May 2011 and endorsed by the European Union on 11 December 2012. IFRS 10 replaces consolidation guidelines included in IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities" by implementing a uniform consolidation model for all entities based on control, regardless of the nature of the investment (i.e. whether the entity is controlled by investors' voting rights or through other contractual arrangements commonly applied in special purpose entities). According to IFRS 10, control exists when the investor has 1) power over the investee, 2) exposure or right to variable returns from its involvement with the

investee, and 3) the ability to use its power over the investee to affect the amount of the investor's returns from the investee.

The Group will apply IFRS 10 as of 1 January 2014.

- **IFRS 11 "Joint Arrangements"** (applicable to annual periods beginning on or after 1 January 2014), published by the International Accounting Standards Board on 12 May 2011 and endorsed by the European Union on 11 December 2012. IFRS 11 introduces new accounting regulations with respect to joint arrangements, replacing IAS 31 "Interests in Joint Ventures." The ability to apply the proportional consolidation method in relation to jointly controlled entities has been removed. Furthermore, IFRS 11 eliminates jointly controlled assets and leaves a distinction into joint operations and joint venture. Joint operations are joint arrangements in which the parties have joint control over rights to the assets and liabilities. Joint venture is a joint arrangement in which the parties have joint control over rights to the net assets.

  The Group will apply IFRS 11 as of 1 January 2014.

- **IFRS 12 "Disclosures of Shares in Other Entities"** (applicable to annual periods beginning on or after 1 January 2014), published by the International Accounting Standards Board on 12 May 2011 and endorsed by the European Union on 11 December 2012. IFRS 12 will require more disclosures about both entities covered by consolidation and entities not covered by consolidation in which the entity is involved. The objective of IFRS 12 is to provide information so that the users of financial statements may evaluate the basis of control, restrictions imposed on consolidated assets and liabilities, exposure to risk arising from involvement in structured entities not covered by consolidation and involvement of non-controlling interests in the operations of consolidated entities.

  The Group will apply IFRS 12 as of 1 January 2014.

- **IAS 27 (revised in 2011) "Separate Financial Statements"** (applicable to annual periods beginning on or after 1 January 2014), published by the International Accounting Standards Board on 12 May 2011 and endorsed by the European Union on 11 December 2012. The requirements regarding separate financial statements have not changed and are included in the revised IAS 27. Other parts of IAS 27 have been replaced by IFRS 10.

  The Group will apply IAS 27 as of 1 January 2014. The Group currently analyses the impact of the new standard on the financial statements. The introduction of amended IAS 27 does not materially affect these condensed interim consolidated financial statements.

- **IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures"** (effective for annual periods beginning on or after 1 January 2014), was published by the ISAB on 12 May 2011 and endorsed by the European Union on 11 December 2012. IAS 28 was amended in consequence of publishing IFRS 10, IFRS 11 and IFRS 12.

  The Group will apply IAS 28 as of 1 January 2014. During the Group's operations to date no activities described in IAS 28 have occurred.

- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interest in Other Entities" – explanations to transitional provisions** published by the ISAB on 28 June 2012 and endorsed by the European Union on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014). The objective of the amendments is to provide additional guidance to transitional provisions in IFRS 10, IFRS 11 and IFRS 12 so as to "limit the requirements to restate comparative data only to the preceding comparative period." Amendments were also made to IFRS 11 and IFRS 12 to eliminate the requirements to present comparative data for periods earlier than the directly preceding period.

  The Group will apply the amendments to IFRS 10, IFRS 11 and IFRS 12 as of 1 January 2014.

- **Amendments to IAS 32 "Financial Instruments: Presentation"** – offsetting of financial assets and liabilities (applicable to annual periods beginning on or after 1 January 2014), published by the International Accounting Standards Board on 16 December 2011 and endorsed by the European Union on 13 December 2012. The

amendments specify more precisely the principles of offsetting and focus on four key areas: (a) clarification of the meaning of "to have a legally enforceable right to set off"; (b) simultaneous offsetting and settlement; (c) offsetting collaterals; (d) settlement unit for offsetting purposes.

The Group will apply the amendments to IAS 32 as of 1 January 2014. The introduction of amendments to IAS 32 does not materially affect these condensed interim consolidated financial statements.

(c) Existing standards, amendments and interpretations to the existing standards which have not been endorsed by the European Union.

At present, the IFRS endorsed by the European Union do not differ substantially from the regulations adopted by the International Accounting Standards Board (IASB), save for the following standards, standard amendments or interpretations which as at 29 August 2013 were not adopted for use:

- **IFRS 9 "Financial Instruments"** (applicable to annual periods beginning on or after 1 January 2015), published by the International Accounting Standards Board on 12 November 2009. On 28 September 2010 the IASB published revised IFRS 9 which specified new requirements with respect to settlement of financial liabilities and transferred the requirements regarding derecogition of assets and liabilities from IAS 39. The standard establishes one approach to determine whether financial assets are measured at amortised cost or fair value, replacing numerous principles set forth in IAS 39. The approach in IFRS 9 is based on the assessment how the entity manages its financial instruments (i.e. based on business model assessment) and the assessment of characteristics of contractual cash flows connected with financial assets. The new standard also requires a single impairment method to be used, replacing the many impairment methods set forth in IAS 39. The new requirements regarding the settlement of financial liabilities concern the problem of changes in financial profit/loss resulting from the issuer's decision to measure its own indebtedness at fair value. The IASB decided to maintain the current measurement at amortised cost with respect to most of the liabilities, amending only regulations regarding own credit risk. Under the new requirements, if the entity decides to measure the liabilities at fair value, it has to present a change in fair value resulting from changes of own credit risk not in the income statement but in other comprehensive income.

- **Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures"** – mandatory effective date and transitional provisions, published by the ISAB on 16 December 2011. The amendment defers the mandatory effective day from 1 January 2013 1 January 2015. These amendments release from the obligation to transform comparative data in the financial statements in relation to the application of IFRS 9. The release was first available only to entities which decided to apply IFRS 9 before 2012. Instead, additional disclosures of the effects of applying new standards are required, to be prepared in a manner that helps investors understand the influence of initial application of IFRS 9 on classification and valuation of financial instruments.

- **Amendments to IFRS 10, IFRS 12 and IAS 27 "Investment Entities"** (effective for annual periods beginning on or after 1 January 2013) – were published by the IASB on 31 October 2012. The amendments enable to exempt from consolidation those subsidiaries which satisfy a definition of investment entities e.g. some investment funds. Investments in such subsidiaries will be measured at fair value through profit or loss in accordance with IFRS 9 or IAS 39.

- **Amendments to IAS 36 "Impairment of Assets"– Recoverable Amount Disclosures for Non-Financial Assets** published by the IASB on 29 May 2013. The small amendments to IAS 36 concern recoverable amount disclosures for those assets for which an impairment loss has been recognised and when recoverable amount is based on fair value less costs of disposal. When developing IFRS 13 "Fair Value Measurement", the IASB decided to amend IAS 36 so as to require entities to disclose recoverable amount of those assets for which an impairment loss has been recognised. Current amendments clarify the original intention of the IASB that the scope of such disclosures is limited only to recoverable amount of those assets for which an impairment loss has been recognised and when recoverable amount is based on fair value less costs of disposal.

- **IFRIC 21 “Levies”** published by the IASB on 20 May 2013. IFRIC 21 is an interpretation to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets.” IAS 37 sets forth the criteria for recognition of a liability, one of which is a requirement to have a present obligation arising from past events (the so called obligating event). The interpretation clarifies that the event triggering an obligation to pay a levy is the activity for which levies are imposed in accordance with the relevant legislation.

  The Group estimates that the aforesaid standards, interpretations and standard amendments would not materially impact consolidated financial statements, if adopted by the Group as at the reporting date.

  At the same time, hedge accounting for the portfolio of financial assets and liabilities, whose principles have not been adopted for use by the European Union yet still remain outside the regulations endorsed by the European Union.

  According to the Group’s estimates, the application of hedge accounting for the portfolio of financial assets or financial liabilities in accordance with **IAS 39 “Financial Instruments: Recognition and Measurement**” would have no material impact on the condensed interim consolidated financial statements if adopted for application for the balance-sheet date.

3. Information on business segments

IFRS 8 – “Operating Segments” is applicable for the purposes of preparing these condensed interim consolidated financial statements. That standard requires that the interim consolidated financial statements of the entity present a series of data concerning individual segments, while the approach to segmentation of the Group presented in the interim consolidated financial statements should be consistent with the division into segments used for the purposes of making strategic management decisions.

The Management Board does not apply division into segments for managing the Group since the Parent mainly focuses its activities on the production and sale of coal. Revenue from other products and services in the period between 1 January 2013 and 30 June 2013 amounted to PLN 31,666,000, which accounts for 3.60% of total revenue. Accordingly, the Group does not present its results by industry segments.

The Group operates primarily in Poland. In the period between 1 January 2013 and 30 June 2013, revenue from foreign sales amounted to PLN 384,000, which accounts for 0.04% of total revenue in the year in question. The Group does not hold assets or liabilities outside Poland.

Accordingly, the Group does not present its results by geographical segments.

4. Information regarding seasonality

The production is not seasonal, whereas seasonal character of sales can be noticed in the case of retail sales at a point of coal sale. Sales to individual customers account for 1.65% of the total sales. They do not have any significant impact on the operating and financial activities of the Group.

5. Property, plant and equipment

	Land	Buildings and structures		Plant and equipment	Vehicles	Other property, plant and equipment	Construction in progress	Total
		Total	Including workings					
As at 1 January 2012								
Cost or assessed value	3,850	2,029,838	1,367,957	1,212,676	104,694	14,529	386,426	3,752,013
Depreciation	-	(614,644)	(453,595)	(468,444)	(53,703)	(9,910)	-	(1,146,701)
Net book value	**3,850**	**1,415,194**	**914,362**	**744,232**	**50,991**	**4,619**	**386,426**	**2,605,312**
As at 30 June 2012								
Net book value at beginning of year	3,850	1,415,194	914,362	744,232	50,991	4,619	386,426	2,605,312
Increases	-	-	-	-	-	-	205,488	205,488
Transfer from construction in progress	184	256,303	253,153	28,111	4,635	226	(289,459)	-
Decreases*	(102)	(4,533)	(1,018)	(33)	(21)	-	(1,300)	(5,989)
Depreciation	-	(109,188)	(95,743)	(39,101)	(2,953)	(456)	-	(151,698)
Net book value	**3,932**	**1,557,776**	**1,070,754**	**733,209**	**52,652**	**4,389**	**301,155**	**2,653,113**
As at 30 June 2012								
Cost or assessed value	3,932	2,277,718	1,616,215	1,239,911	107,953	14,716	301,155	3,945,385
Depreciation	-	(719,942)	(545,461)	(506,702)	(55,301)	(10,327)	-	(1,292,272)
Net book value	**3,932**	**1,557,776**	**1,070,754**	**733,209**	**52,652**	**4,389**	**301,155**	**2,653,113**
As at 1 January 2013								
Cost or assessed value	4,338	2,384,845	1,686,894	1,491,002	111,825	15,437	367,547	4,374,994
Depreciation	-	(793,587)	(607,059)	(543,008)	(57,852)	(10,756)	-	(1,405,203)
Net book value	**4,338**	**1,591,258**	**1,079,835**	**947,994**	**53,973**	**4,681**	**367,547**	**2,969,791**
As at 30 June 2013								
Net book value at beginning of year	4,338	1,591,258	1,079,835	947,994	53,973	4,681	367,547	2,969,791
Increases	36	2,682	-	917	-	-	224,025	227,660
Transfer from construction in progress	142	108,978	76,355	73,899	3,017	957	(186,993)	-
Decreases*	(162)	(5,201)	(4,613)	(2,543)	-	-	(409)	(8,315)
Depreciation	-	(101,161)	(85,954)	(52,593)	(3,288)	(505)	-	(157,547)
Net book value	**4,354**	**1,596,556**	**1,065,623**	**967,674**	**53,702**	**5,133**	**404,170**	**3,031,589**
As at 30 June 2013								
Cost or assessed value	4,354	2,406,061	1,673,383	1,561,683	114,095	16,334	404,170	4,506,697
Depreciation	-	(809,505)	(607,760)	(594,009)	(60,393)	(11,201)	-	(1,475,108)
Net book value	**4,354**	**1,596,556**	**1,065,623**	**967,674**	**53,702**	**5,133**	**404,170**	**3,031,589**

* the item includes creating, releasing and using the impairment losses of property, plant and equipment

6. Intangible assets

	Computer software	Fees, licences	Geological information	Other	Total
As at 1 January 2012					
Cost or assessed value	4,339	4,444	11,235	47	20,065
Amortisation	(2,880)	(1,143)	(6,097)	(14)	(10,134)
Net book value	**1,459**	**3,301**	**5,138**	**33**	**9,931**
As at 30 June 2012					
Net book value at beginning of year	1,459	3,301	5,138	33	9,931
Increases	144	75	-	-	219
Amortisation	(139)	(105)	(577)	(9)	(830)
Net book value	**1,464**	**3,271**	**4,561**	**24**	**9,320**
As at 30 June 2012					
Cost or assessed value	4,483	4,498	11,235	38	20,254
Amortisation	(3,019)	(1,227)	(6,674)	(14)	(10,934)
Net book value	**1,464**	**3,271**	**4,561**	**24**	**9,320**
As at 1 January 2013					
Cost or assessed value	4,656	4,497	25,548	22	34,723
Amortisation	(3,006)	(1,335)	(7,250)	(16)	(11,607)
Net book value	**1,650**	**3,162**	**18,298**	**6**	**23,116**
As at 30 June 2013					
Net book value at beginning of year	1,650	3,162	18,298	6	23,116
Increases	262	-	1,161	568	1,991
Decreases	(19)	-	-	-	(19)
Amortisation	(158)	(108)	(577)	4	(847)
Net book value	**1,735**	**3,054**	**18,882**	**570**	**24,241**
As at 30 June 2013					
Cost or assessed value	4,850	4,487	26,709	570	36,616
Amortisation	(3,115)	(1,433)	(7,827)	-	(12,375)
Net book value	**1,735**	**3,054**	**18,882**	**570**	**24,241**

7. Share capital

	Number of shares ('000)	Ordinary shares - par value	Hyperinflation adjustment	Total
As at 1 January 2012	34,014	170,068	131,090	301,158
As at 30 June 2012	34,014	170,068	131,090	301,158
As at 1 January 2013	34,014	170,068	131,090	301,158
As at 30 June 2013	34,014	170,068	131,090	301,158

All shares issued by the Parent have been fully paid up.

8. Other capitals

Pursuant to the Articles of Association, the Parent can create supplementary capital and other reserve capitals, the purpose of which is determined by provisions of law and resolutions of decision-making bodies.

9. Grants

	30 Jun. 2013	31 Dec. 2012
Non-current liabilities		
Grants	16,640	18,122
Current liabilities		
Grants	988	-
	17,628	**18,122**

The grant received should be settled in the full amount on the moment it is amortised in full, sold or if an asset financed with that grant is liquidated.

10. Loans and borrowings

	30 Jun. 2013	31 Dec. 2012
Long-term:		
Bank loans:	281,000	421,000
- PKO BP S.A.	181,000	241,000
- PEKAO S.A.	100,000	180,000
Short-term:		
Bank loans:	156,850	20,000
- PKO BP S.A.	60,000	20,000
- PEKAO S.A.	96,850	-

	437,850	**441,000**

The bank loans mature on 31 December 2014 and bear interest equal to 3M WIBOR + bank margin. The fair value of loans does not significantly differ from their carrying value. The Group takes out loans in PLN. Details on maturity dates of the loan are presented below.

	Less than 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years
As at 30 June 2013				
Loans and borrowings	156,850	281,000	-	-

The Group does not have any unutilised overdraft credit lines as at 30 June 2013.

11. Employee benefits liabilities

	30 Jun. 2013	30 Jun. 2012 restated*
As disclosed in the interim consolidated statement of financial position:		
- retirement and disability benefits	37,976	29,934
- long service awards	71,706	44,563
- coal allowances in kind	90,775	74,514
- other benefits for employees	19,284	15,958
	219,741	**164,969**
including:		
- non-current	170,560	120,722
- current	49,181	44,247

	30 Jun. 2013	30 Jun. 2012 restated*
As disclosed in the interim consolidated income statement:		
- retirement and disability benefits	1,589	1,355
- long service awards	13,724	6,069
- coal allowances in kind	2,375	2,453
- other benefits for employees	15,938	13,990
	33,626	**23,867**

	30 Jun. 2013	30 Jun. 2012 restated*
As disclosed in the consolidated statement of comprehensive income:		
- retirement and disability benefits	3,187	1,698

- coal allowances in kind	2,630	1,801
- other benefits for employees	453	103
	6,270	**3,602**

Change in employee benefits liabilities

	30 Jun. 2013	30 Jun. 2012 restated*
As at 1 January	**192,667**	**147,254**
Costs of current employment	20,579	16,942
Interest expense	4,117	4,212
Actuarial losses/ profits as disclosed in the interim consolidated income statement:	8,930	2,713
Actuarial losses/ profits as disclosed in the interim consolidated statement of other comprehensive income	6,270	3,602
Total as disclosed in the interim consolidated statement of comprehensive income:	**39,896**	**27,469**
Benefits paid	(12,822)	(9,754)
As at 30 June	**219,741**	**164,969**

Total amount of employee benefits disclosed in the interim consolidated income statement and the interim consolidated statement of comprehensive income:

	30 Jun. 2013	30 Jun. 2012 restated*
Costs of products, goods and materials sold	26,968	17,951
Selling cost	142	96
Administrative costs	2,399	1,608
Finance cost	4,117	4,212
Total as disclosed in the interim consolidated income statement:	**33,626**	**23,867**
Amount disclosed in other comprehensive income	6,270	3,602
Total as disclosed in the interim consolidated statement of comprehensive income:	**39,896**	**27,469**

* Explanation provided in note 2.1.

12. Provisions for other liabilities and charges

	Mine closure	**Mining damage**	**Legal claims**	**Real property tax**	**Total**
As at 1 January 2012	**76,856**	**5,360**	**14,751**	**16,587**	**113,554**
Including:					
Non-current	76,856	-	-	-	76,856
Current	-	5,360	14,751	16,587	36,698
As disclosed in the interim consolidated income statement					
- Creation of additional provisions	(1,194)	-	25,983	2,606	27,395
- Interest	-	-	673	988	1,661
- Discount settlement	1,972	-	-	-	1,972
- Provisions used during a year	-	(554)	(47)	-	(601)
As at 30 June 2012	**77,634**	**4,806**	**41,360**	**20,181**	**143,981**
Including:					
Non-current	77,634	-	-	-	77,634
Current	-	4,806	41,360	20,181	66,347
As at 1 January 2013	**89,861**	**13,470**	**23,026**	**9,502**	**135,859**
Including:					
Non-current	89,861	-	-	-	89,861
Current	-	13,470	23,026	9,502	45,998
As disclosed in the interim consolidated income statement					
- Creation of additional provisions	3,862	-	-	1,688	5,550
- Interest	-	-	1,000	483	1,483
- Discount settlement	2,632	-	-	-	2,632
- Provisions used during a year	-	(2,259)	(7)	-	(2,266)
- Provisions not used during a year	-	-	(1,162)	-	(1,162)
As at 30 June 2013	**96,355**	**11,211**	**22,857**	**11,673**	**142,096**
Including:					
Non-current	96,355	-	-	-	96,355
Current	-	11,211	22,857	11,673	45,741

(a) Mine closure

The Group establishes a provision for expenses related to closure of a mining plant, as required under applicable provisions. The value of closing the mine calculated as at 30 June 2013 amounts to PLN 96,355,000.

(b) Removing mining damage

Given the need to remove mining damage, the Parent creates a provision for mining damage. As at 30 June 2013, the estimated value of works necessary for damage removal is: PLN 11,211,000.

(c) Legal claims

The amount disclosed constitutes a provision for certain legal claims filed against the Group by customers and suppliers. The amount of the provision is disclosed in the consolidated income statement as "Other net profit / (loss)." In the Parent's Management Board opinion, supported by an appropriate legal opinion, those claims being filed will not result in significant losses in an amount that would exceed the value of provisions created as at 30 June 2013.

(d) Real property tax

The amount disclosed constitutes a provision for real property tax. While preparing statements for real property tax, the Parent (like other mining companies in Poland) does not take into account the value of underground mining excavations or the value of equipment installed there, for the purpose of calculating this tax.

The position taken by the Constitutional Tribunal in its ruling of 13 September 2011, confirmed subsequently by a line of decisions given by administrative courts, is that real property tax is not chargeable on mining excavation understood as empty space in the rock mass which has been created as a result of carrying out mining works. At the same time, the Constitutional Tribunal did not exclude in the above ruling that mining excavations may contain objects constituting structures within the meaning of the Act on Local Charges and Taxes on which real property tax may be chargeable, if it is determined that mining excavations contain objects constituting structures within the meaning of the Act on Local Charges and Taxes. The assessment of taxable base cannot include the value of works which consist in performing the mining excavation.
Although the above ruling by the Constitutional Tribunal has not resolved finally and unequivocally what elements of the equipment in mining excavations are chargeable with real property tax, in addition until now there is no position to that extent in a line of decisions given by administrative courts, nevertheless, bearing in mind the above position by the Constitutional Tribunal – even if it were finally established that mining excavations belonging to the Parent contain any structures within the meaning of the Act on Local Charges and Taxes, the amount of real property tax, if any, on such objects should be, according to the Parent, significantly (many times) lower that the amounts of tax determined to date in decisions issued by first instance tax authorities wherein the adopted taxable base was the value of the entire mining excavations together with their equipment set forth in the records of property, plant and equipment.

The values connected with real property tax are disclosed in the interim consolidated income statement under "Cost of products, goods and materials sold." The provision disclosed in the Parent's books as at 30 June 2013 in the amount of PLN 11,673,000 (30 June 2012: PLN 20,181,000) represents a provision for liability, if any, covering real property tax and interest for 2008-2013 in the event it is determined by the tax authorities that the Parent's mining excavations contain structures on which real property tax is chargeable. The amount of such provision has been estimated based on internal preliminary (general) analysis of types of equipment in mining excavations and preliminary estimation of its value.

13. Unusual events affecting the financial result

In the period of six months of 2013, no unusual events occurred that would seriously affect the financial position of the Group.

14. Income tax

	1 Jan. 2013- 30 Jun. 2013	1 Jan. 2012- 30 Jun. 2012 restated*
Current tax	24,189	56,457
Deferred tax recognised in net profit	15,752	(16,855)
Deferred tax recognised in comprehensive income	(152)	(684)
	39,789	**38,918**

* Explanation provided in note 2.1.

Income tax in the condensed interim consolidated financial statements was established pursuant to the expected tax rate for 2013 of 19.0% (2012: 19.0%).

The regulations concerning value added tax, real property tax, corporate income tax, personal income tax and social security contributions are frequently changed. As a result, there is sometimes no reference to established regulations or legal precedents. The applicable regulations also contain ambiguities which result in differences in opinions regarding the legal interpretation of tax regulations, both between state authorities and between state authorities and businesses.

Such interpretational doubts concern, for example, tax classification of outlays on creating certain mining excavations. The practice currently applied by the Group and other coal sector companies consists of recognising costs related to the creation of “exploitation excavations”, i.e. excavations which are not part of permanent underground infrastructure of a mine, directly in the tax costs of the period.

However, in light of applicable tax regulations, it is possible that such costs could be classified for the purpose of corporate income tax in a way that differs from the classification presented by the Group, which could potentially result in adjustments in corporate income tax settlements and the payment of an additional amount of tax. Such amount would be significant.

Tax and other settlements (e.g. customs or foreign currency settlements) can be inspected by the authorities which are entitled to impose heavy fines, and additional amounts of liabilities established as a result of an inspection must be paid with high interest. As a result, the tax risk in Poland is greater than that which usually exists in countries with more advanced tax systems. Tax settlements can be inspected within a five-year period. As a result, amounts disclosed in the condensed interim consolidated financial statements might be changed later, after their amount has been finally determined by the tax authorities.

15. Earnings per share

(a) Basic

Basic earnings per share are calculated as the quotient of the profit attributable to the shareholders of the Parent and the weighted average number of ordinary shares during the year.

	1 Jan. 2013- 30 Jun. 2013	1 Jan. 2012- 30 Jun. 2012 restated*
Earnings attributable to owners of the Parent	142,034	171,077
Weighted average number of ordinary shares ('000)	34,014	34,014
Basic earnings per share (in PLN per share)	**4.18**	**5.03**

* Explanation provided in note 2.1.

(b) Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares as if an exchange was made for potential ordinary shares causing dilution. The Parent does not have instruments causing dilution of potential ordinary shares. Diluted earnings per share are therefore equal to basic earnings per share of the Parent.

16. Dividend per share

In the first half of 2013 and in the same period of 2012, the Parent did not pay any dividend to Shareholders. The payment of dividend for 2012, in the amount of PLN 172,110,000, will take place on 1 October 2013. In compliance with Resolution No. 23 of the Annual General Shareholders Meeting of Lubelski Węgiel Bogdanka S.A. of 27 June 2013, the profit for 2012 in the amount of PLN 172,110,000 has been distributed among the Parent's shareholders. The dividend rate due to shareholders of the Parent is presented in the table below.

	1 Jan. 2013- 30 Jun. 2013	**1 Jan. 2012- 30 Jun. 2012**
Dividend due	172,110	136,054
Number of ordinary shares as at the dividend date ('000)	34,014	34,014
Dividend per share (in PLN per share)	**5.06**	**4.00**

The dividend rate per share is calculated as the quotient of the dividend attributable to the shareholders of the Parent and the number of ordinary shares as at the dividend date.

17. Financial instruments

Hierarchy of financial instruments measured at fair value.

Financial instruments measured at fair value may be categorised to the following valuation models:

- Level 1: quoted prices (unadjusted) for identical assets and liabilities in an active market,
- Level 2: data inputs, other than quoted prices used in Level 1, which are observable for given assets and liabilities, both directly (e.g. as prices) or indirectly (e.g. derived from provisions),
- Level 3: data inputs which are not based on observable market prices (unobservable data inputs).

As at 30 June 2013 derivatives were the only financial instruments measured at fair value in the Group. Level 2 was used to measure the receivables under derivatives measured at fair value, amounting to PLN 5,467,000 as at 30 June 2013 (31 December 2012: PLN 0).

18. Net cash inflow from operating activities

	Note	30 Jun. 2013	30 Jun. 2012 restated*
Profit before taxation		181,975	210,679
- Depreciation of property, plant and equipment	5	157,547	151,698
- Amortisation of intangible assets	6	847	830
- Profit / (Loss) on sale of property, plant and equipment		(3)	(26)
- Profit on property, plant and equipment		5,821	-
- Net finance income		(718)	(543)
- Change in employee benefits liabilities		20,812	14,114
- Changes in provisions		3,595	30,427
- Other flows		391	347
- Creating and using impairment losses of property, plant and equipment		195	1,021
Changes in working capital			
- Inventories		(47,398)	(66,874)
- Trade and other receivables		(24,896)	21,119
- Trade and other liabilities		38,943	47,071
Cash inflow from operating activities		**337,111**	**409,863**

Balance-sheet change in liabilities	148,528	151,947
Change in investment liabilities	62,525	31,178
Liabilities on account of dividend concerning the previous year	(172,110)	(136,054)
Change in liabilities for the purposes of the interim consolidated statement of cash flows	**38,943**	**47,071**
Increase in property, plant and equipment	221,528	198,850
Capitalised borrowing costs	(6,519)	(7,299)
Change in investment liabilities	62,525	31,178
Acquisition of property, plant and equipment	**277,534**	**222,729**

* Explanation provided in note 2.1.

19. Contingent items

The Group has contingent liabilities on account of legal claims arising in the normal course of its business activities and on account of potential real property tax arrears.

Potential arrears in the real property tax may result primarily from discrepancies between the approach of the Group and that of tax authorities applied to the determining of the subject of taxation with respect to structures located in mining excavations and calculating their value.
Provisions were created for those contingent liabilities (note 12).

In connection with the conclusion of the long-term loan agreements with PKO Bank Polski S.A. and PEKAO S.A., the Parent issued blank promissory notes with declaration, covering the amount corresponding to the amount of debt under the loans plus interest and other Bank's costs, for the purpose of securing the repayment of the abovementioned

loans. The value of the used portion of the loan as at 30 June 2013 amounted to PLN 438 million and has been disclosed as liability in the consolidated statement of financial position of the Group. Further, the loan agreements provide for collaterals in the form of deduction from the Parent's bank account and transfer of receivables from the sale of coal up to the amount of liability under the loan plus interest.

20. Future contractual liabilities

Investment liabilities

Contractual investment liabilities incurred as at the balance-sheet date, but still not disclosed in the interim consolidated statement of financial position, amount to:

	30 Jun. 2013	31 Dec. 2012
Property, plant and equipment	392,497	213,853

21. Information on remuneration of the Management Board and the Supervisory Board

	30 Jun. 2013	31 Dec. 2012	30 Jun. 2012
Remuneration of Management Board members	2,247	3,954	1,677
Remuneration of the Supervisory Board members	351	605	184

22. Events after the balance-sheet date

The presented financial results for the first half of 2013 refer to the events, identified by the Group that occurred in this period. After the balance-sheet date no events affecting the financial results occurred that would not be disclosed in these condensed interim consolidated financial statements.

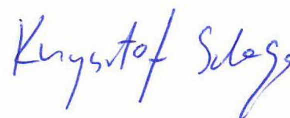
From the publication date of these condensed interim consolidated financial statements, the following material events affecting the Group's operations in 2013, have occurred:

- The Annual General Shareholders Meeting of the Parent, in accordance with Resolution No. 26 of 4 July 2013, has decided to carry out a conditional increase in the Parent’s share capital by an amount not higher than PLN 6,802,700 by way of an issue of not more than 1,360,540 Series D ordinary bearer shares with a nominal value of PLN 5 per share. The conditional increase in the Company’s share capital is made in order to grant the right to acquire Series D Shares to holders of the Warrants to be issued under this Resolution as a part of the Management Options Scheme.

23. Approval of the Condensed Interim Consolidated Financial Statements

The Management Board of Lubelski Węgiel Bogdanka S.A. declares that as of 27 August 2013, it approves these condensed interim consolidated financial statements of the Group for the period from 1 January to 30 June 2013 for publication.

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD AND THE CHIEF ACCOUNTANT

Zbigniew Stopa	President of the Management Board	
Waldemar Bernaciak	Vice-President of the Management Board, Trade and Logistics	
Roger de Bazelaire	Vice-President of the Management Board, Economic and Financial Affairs	
Krzysztof Szlaga	Member of the Management Board, Procurement and Investments	
Krystyna Borkowska	Chief Accountant	